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NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Thursday July 16 1992 | EUROPE'S BUSINESS NEWSPAPER | D8523A

France urged to cut reliance on nuclear power

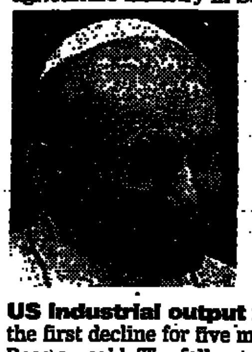
France should reduce its dependence on nuclear power, which provides 75-80 per cent of the country's electricity, and do more to promote competition in energy supply, the International Energy Agency said.

It also urged France to raise electricity prices to reflect production costs and encourage energy savings. Page 3; Reactor fears, Page 14

Perot campaigner quits: Veteran Republican political expert Ed Rollins resigned as co-manager of Texas billionaire Ross Perot's independent presidential campaign effort because of differences with Perot. Democratic convention, Page 6

Mandela hits out: ANC leader Nelson Mandela, in a speech to the UN Security Council, vowed not to resume South African reform talks until "government orchestrated" violence in black townships subsided. Page 14

US warns Iraq: The US accused Iraq of endangering the Gulf war ceasefire by refusing to allow UN weapons inspectors access to the agriculture ministry in Baghdad. Page 4



Pope 'doing well' Surgeons removed a benign tumour "the size of an orange" from Pope John Paul's intestine and said the 72-year-old Pontiff was "doing well". He is expected to remain in hospital for 10 days. Doctors said the Pope should recover fully.

US industrial output fell 0.3 per cent in June, the first decline for five months, the Federal Reserve said. The fall was attributed to a rail strike, which hit mining output. But other sectors showed weakness. Page 6; Lex, Page 14

Sea Containers, the Bermuda-based shipping group, said it had put in a bid to operate a large proportion of British Rail's south-east services when they come up for privatisation. Page 7

Moslems jailed: An Algerian court sentenced two Islamic Salvation Front leaders to 12 years prison for conspiracy against the state. The charges carried the death penalty. Page 4

AMR, parent company of American Airlines and one of the big three US carriers, led what is likely to be a dismal quarterly reporting season for the nation's airlines, with a $166m loss after tax in the three months to end-June. Page 15

Fininvest, the media, retailing and investment group controlled by Italian magnate Silvio Berlusconi, saw 1991 net profits fall 68 per cent to L61.3bn ($54m), mainly because of its purchase of Mondadori, the publishing group. Page 15

Irish woman charged: Irish national Donna Maguire, 25, was charged in Germany with murder and attempted murder for the killing of a British Army major in Dortmund and the bombing of barracks in Hanover in 1990.

Banque Bruxelles Lambert urged investors, who are divided over whether the bank should forge links with a domestic or international partner, to agree a strategy or risk undermining the bank's shareholder structure. Page 15; Lex, Page 14

Hongkong Bank began its shake-up of Midland Bank with the appointment of a new deputy chief executive at Midland to work with Brian Pearse, its chief executive. Page 16

Bonn plans rail sell-off: The German government committed itself to a DM493bn ($335bn) plan to reform and partially privatise the loss-making national rail network in five years. Page 2

General Dynamics, the US defence contractor which is selling peripheral businesses, reported second-quarter earnings of $65m, up from $33m in the same period of last year. Page 18

Marriott, the US hotels group, has topped bids by rival hotel groups Intercontinental and Ramada to win control of the Duna Intercontinental, one of Hungary's leading hotels. Page 16

58 die in Yemen air crash: All 58 people on board a Yemeni military aircraft were killed when it crashed in the desert near Aden during a sandstorm. Passengers included military police.

Victim of overwork: Jun Ishii, a 47-year-old executive with Japanese trading house Mitsui, was officially certified as having died from overwork – "karoshi". Ishii had spent 115 days abroad on business trips in the year before his death. Observer, Page 13

STOCK MARKET INDICES

FT-SE 100:	2,498.4	(+2.4)
Yield	4.91	
FT-SE Eurotrack 100	1,122.53	(–1.59)
FT-A All-Share	1,191.36	(+0.2%)
FT-A World Index	141.75	(+0.2%)
Nikkei	17,116.92	(+52.29)
New York:		
Dow Jones Ind Ave	3,345.42	(–12.97)
S&P Composite	417.1	(–0.58)

US CLOSING RATES

Federal Funds:	3¼%	(3⅛%)
3-mo Treas Bills: Yld	3.23%	(3.261%)
Long Bond	104½	(103⅞)
Yield	7.626	(7.678%)

LONDON MONEY

3-mo Interbank	10¼%	(10⅜%)
Liffe long gilt future:	Sep 99	(Sep 99¼)

NORTH SEA OIL (Argus)

Brent 15-day Sep	$19.975	(20.05)

Gold

New York Comex Jul	$354	(351.1)
London	$351.85	(350.55)

STERLING

New York:		
$	1.9225	(1.9195)
London:		
$	1.9255	(1.913)
DM	2.845	(2.85)
FFr	9.6125	(9.6175)
SFr	2.5725	(2.5775)
Y	246.75	(239.25)
£ Index	92.4	(92.2)

DOLLAR

New York:		
DM	1.4815	(1.4855)
FFr	5.0065	(5.0155)
SFr	1.3385	(1.343)
Y	125.80	(125.2)
London:		
DM	1.4775	(1.49)
FFr	4.9825	(5.0275)
SFr	1.336	(1.347)
Y	125.85	(125)
$ Index	69.2	(60.3)

Tokyo close Y 125.32

Austria	Sch30	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr65	India	Rs30	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Draft report criticises Abu Dhabi over BCCI

By Robert Peston in London

ABU DHABI, the majority shareholder in the Bank of Credit and Commerce International, has been criticised in the draft Bingham report for withholding vital information from the Bank of England on the scale of fraud at the collapsed bank

Lord Justice Bingham's inquiry into BCCI highlights a nine-month delay in communicating details of the huge losses and fraud – including the theft of $2.2bn of Abu Dhabi's funds – as a serious omission.

The criticism of the Gulf emirate's actions, in draft excerpts seen by the Financial Times, forms one of the main conclusions of the 11-month investigation by Lord Justice Bingham, which also assesses the roles of the Bank of England and of Price Waterhouse, BCCI's auditor.

Abu Dhabi and its advisers are understood to be unhappy at this "slur on its reputation". The Bank of England is also braced for serious criticism of its role as supervisor of BCCI's UK operations.

Unless key passages of the preliminary report are revised or excluded from publication, a row between Abu Dhabi and the UK government is expected to follow the report's publication, which is not expected for several weeks.

In his draft, Lord Justice Bingham highlights an interview between Mr Swaleh Naqvi, BCCI's former chief executive, and Abu Dhabi's representatives in April 1990 – 15 months before the bank was shut down.

Lord Justice Bingham concludes that, had the contents of the interview been communicated to the Bank of England, a more detailed investigation of BCCI and a more urgent reconstruction programme might have been triggered. Alternatively, BCCI could have collapsed or been closed. In the event, the Bank did not learn of the $2.2bn theft until the end of February 1991.

Abu Dhabi has rejected the criticism and has argued to Lord Justice Bingham that there is no evidence that the Bank would have behaved any differently if it had received details of the Naqvi interview.

Abu Dhabi and its advisers, led by the firm of solicitors Simmons & Simmons, have tried to persuade Lord Justice Bingham that he is misinterpreting events.

The controversial conversation took place in April 1990 between emirates' representatives and Mr Naqvi, who was confined to the police club in Abu Dhabi after the bank collapsed. The representatives included Mr Ghanem al-

Continued on Page 14

Asset sales boost First American, Page 19

Kuwait moves to calm concern over KIO

By Mark Nicholson in London and Peter Bruce in Madrid

KUWAIT yesterday sought to calm growing concern in Spain and at home over the Spanish investments of the Kuwait Investment Office by appointing Peat Marwick, the accountancy firm, to assess KIO's Spanish holdings.

The decision was announced after a high-level meeting in Kuwait which included the ministers of finance, oil, trade, planning and communications, top officials of the Kuwait Investment Authority and Mr Ali Rashid al-Bader, president of the London-based KIO.

A statement after the meeting said the KIO should seek whatever further legal or financial assistance was deemed necessary to "safeguard and develop Kuwaiti investments in Spain, and in order to maintain Kuwait's international reputation".

Mr al-Bader had been summoned to Kuwait to explain to the government KIO's role in the threatened collapse of Ercros, Spain's biggest chemicals company, which KIO controls.

The fact that such a high-level meeting was called reflects the emirate's determination to allay fears that the KIO may have lost some of its agility as an investor since the Gulf war.

The secretive KIO has liquidated up to half its pre-war investments of $65bn to help pay for reconstruction costs in the emirate.

The agency's sale of a large part of its 10 per cent share in Midland Bank just before the group became subject to a bid battle also raised some eyebrows.

Ercros owes some $2.15bn to creditors. The KIO's refusal to make new funds available to the group without broader help from the Spanish government or creditor banks has prompted fierce criticism of the group in Spain.

It has also prompted a concerted attack on the KIO's secrecy and investment strategy from Kuwaiti opposition groups who are positioning themselves before the emirate's October elections.

Kuna, the Kuwait news agency, reported that Sheikh Saad al-Sabah, the crown prince and prime minister who chaired yesterday's meeting, urged all authorities concerned to take whatever action was necessary to "maintain Kuwait's international regard" as a sovereign investor.

Among these measures, it said, was the appointment of Peat Marwick to "furnish a comprehensive assessment" of KIO's Spanish investments by November.

Neither the KIO nor Peat Marwick would amplify on the scope of the review nor say whether it would include recommendations for KIO's investment strategy in Spain.

Kuna said Kuwait's government had commissioned the KIO last month to gather information on its Spanish holdings, provide the "real financial status" of the investments and "come up with the least costly solution".

Damage limitation exercise, Page 16

'I will not sit with child killer'

Bosnia's Moslem foreign minister Haris Silajdzic talks to journalists after a meeting with Lord Carrington, chairman of the EC-sponsored peace conference on Yugoslavia. Asked if he was prepared to sit around the table with the leader of the Bosnian Serbs, Radovan Karadzic, he said: "Karadzic is a war criminal. I am not prepared to sit with a child killer." Peace talks make no progress, Page 14

Amato to 'change the rules' in Italy

By Robert Graham in Rome

PROFESSOR Giuliano Amato, Italy's new Socialist prime minister, yesterday pledged to "change the rules" in Italy, committing himself to a fundamental reform of the country's state dominated economic and financial system.

In his first interview with a foreign newspaper he underlined his desire to convince the international community of the seriousness of his reformist intentions.

On the key issue of privatisation, he said: "You begin by saying you are in the year zero and you should reduce the role of the state as much as you can."

Referring to last week's move turning into joint stock companies Italy's four principal state entities – IRI, the holding company, ENI, the national oil concern, Enel, the electricity authority and INA, the insurance institute – he said: "I am creating a machine that will be forced towards privatisation."

Prof Amato said his emergency budget, seeking to raise L30,000bn ($26.1bn) in extra revenues and spending cuts, broke new ground by addressing structural reforms. "This budget is different from previous ones since they did not touch such areas as reform of public health, pensions, state employment ... This time we are going to change the rules ... we have to tackle the fundamental (items) on which expenditures are flowing away."

He said he expected both the budget decree and the accompanying decrees to reform public health, pensions, civil service employment, greater financial autonomy for local authorities and privatisation to be approved within 90 days by parliament. If the 16 seat majority of his four party coalition failed in parliament he suggested he would seek a vote of confidence.

On Italy's position over the Eurofighter project, he indicated he would still like it to prosper, albeit in cheaper form. But he added elliptically: "Does it make sense without Germany; will Germany be willing to to remain a partner if a cheaper plane will result as being feasible? The technical answer to this has not arrived as yet. But we are hoping for a positive solution."

Interview, Page 12

Bundesbank faces pressure not to raise rates

By Our Foreign and Economics Staff

THE BUNDESBANK came under pressure yesterday to avoid tightening German monetary policy at its council meeting today. A series of warnings from both home and abroad reflect concern that higher interest rates would prompt a wave of increases across Europe.

The D-Mark registered fresh gains against the dollar and European currencies as foreign exchange dealers anticipated a decision to raise the German discount rate at today's Bundesbank council meeting.

An increase in the discount rate from 8 per cent would take the Bundesbank's benchmark rate for lending to banks to the highest level since September 1 1931.

Mr Heinrich Weiss, president of the Federation of German Industry, called for restraint, saying he believed German rates were high enough to ensure that inflation was brought down.

The German co-operative banking association warned that attempts to damp monetary growth "by force" could have fatal consequences. European finance ministers have for several days been urging Germany against drastic tightening.

The Bonn government has, additionally, made clear it does not want monetary policy to be tightened. Mr Jürgen Möllemann, the economics minister, will attend the meeting of the 18-strong council, although he has no influence on the vote.

Mr Neil Kinnock, outgoing leader of Britain's opposition Labour party, in a letter to the Financial Times today, urges the government to take "a real lead" in pressing for an immediate revaluation of the D-Mark.

In spite of such pressure, most economists in Frankfurt believe the Bundesbank will act to show its concern at the rapid rate of money supply growth, rising at double its 1992 target.

Mr Otmar Issing, the Bundesbank directorate member responsible for economics, emphasised yesterday that high monetary growth could not simply be explained away by "special factors" such as a flood of investments in high-yielding short-term deposits and increasing use of the D-Mark in eastern Europe.

Partly as a means of mollifying opinion, the Bundesbank is expected to maintain its 9.75 per cent Lombard rate, which has most impact on the money market.

Mr Richard Reid, Frankfurt-based economist with UBS Phillips & Drew, said: "They are likely to take the milder rather than the stronger option."

Dealers believe, however, that the central bank could accompany a discount rate increase of ½ point with more technical measures to limit banks' access to central bank funds.

Speculation that there would be a tightening gained ground after the Bundesbank yesterday added a net DM5.5bn ($3.6bn) of liquidity to the banking system at slightly higher rates of up to around 9.7 per cent.

Reflecting nervousness about the impact of higher interest rates on an already sluggish European economy, bond markets weakened across Europe, while stock markets were jittery.

In London, the dollar fell to DM1.477 against a previous DM1.490, while sterling was down to DM2.845 against DM2.850.

Mr Michel Sapin, the French finance minister, and Mr Norman Lamont, the British chancellor of the exchequer, asked Germany not to take drastic action on interest rates at the EC finance ministers' meeting on Monday.

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Germany plans £170bn transport revolution

By Christopher Parkes in Bonn

THE German government yesterday set aside its money worries and committed itself to a DM493bn (£170bn) plan to reform and partially privatise the national transport system.

Only weeks after accepting a finance ministry proposal for a clamp on public spending, the cabinet agreed to build 2,400km of roads and 2,200km of railway by 2010.

Centrepiece of the reform, presented by Mr Günter Krause, transport minister, is the privatisation of the railways.

Starting in 1994, the western Bundesbahn and the Reichsbahn in the east will be bundled together in a shareholding group, Deutsche Bahnen AG (DBAG). Operations will be split into three independent companies under the DBAG umbrella, responsible for passenger traffic, freight and track management.

DBAG itself is to be dissolved after five years and its three components left to run their own affairs.

On incorporation, the government will take over the railway's debt mountain, which is expected to reach DM56bn this year. However, no decisions have yet been made on the financing of the reforms, nor the nature and extent of the government's plans for privatisation. Mr Krause claimed the scheme would have a "neutral" impact on the federal budget.

Mr Krause said one objective was to switch 10 per cent of road traffic back to the railways.

Although Mr Krause's initiative was widely welcomed, the lack of detail on financing drew fire from business and industrial organisations, while the road-building schemes were attacked by environmentalists as "dead-end" policies.

One potential source of funds is road tolls. Germany was Europe's leading transit route, Mr Krause said, and foreign road users should share the costs. Further cash would come from the sale of railway property.

Five of the new road projects, including a tunnel under the Elbe in Hamburg, are to be undertaken by private groups. They will quote for and construct the roads, and the government will pay by instalments. A further 23 projects are being considered for similar treatment.

Including stretches in need of rebuilding and widening, and 1,000 by-passes in eastern Germany, the development plan involves 11,600km of concrete and asphalt and a total cost of DM191bn.

Improvements to the railways, which include completion of a 3,200km high-speed network, will cost around DM194bn.

The cabinet also gave provisional blessing to track for the newly-developed "magnet" hovertrain between Hamburg and Berlin and possibly to Bonn, Bremen and Cologne. It agreed, however, that funding should be either wholly or partially private.

Bonn sends destroyer to defend embargo

By Christopher Parkes in Bonn, Laura Silber in Belgrade, Nicholas Denton in Budapest, and agencies

THE German government yesterday ordered a destroyer and three reconnaissance aircraft to join allied warships monitoring the United Nations trade embargo of Serbia and Montenegro.

Nato and Western European Union ships will begin monitoring the coast of the former Yugoslavia today.

It is only the second time since the founding of the Federal Republic of Germany that Bonn has ordered troops to a possible conflict area. The first was during the Gulf war, when a squadron of German aircraft was sent to Turkey to help protect it against Iraq.

Bonn avoided an embarrassing summons to the constitutional court by strictly limiting its armed forces' role in the Adriatic to observation and intelligence gathering.

The German destroyer, Bayern, will not be allowed to stop suspect cargo vessels or use force, Mr Klaus Kinkel, foreign minister, and Mr Volker Rühe, defence minister, stressed yesterday.

It will also be obliged to remain in international waters. The German force's task was information-gathering on behalf of the UN, not armed intervention. "The object is to smother the war in Yugoslavia," added Mr Rühe.

The cabinet decision, made in the face of opposition threats to challenge the deployment in the constitutional court, marks an important step in the government's plan to play a fuller role in international affairs. Both ministers made clear the constitution, which in effect prevents German troops from taking part in combat missions outside the North Atlantic Treaty Organisation territory, must be altered as quickly as possible.

The German move came as Serb forces stepped up attacks on the last Moslem stronghold in eastern Bosnia, despite a pledge by the new Yugoslav prime minister, Mr Milan Panic, to end the war in Bosnia-Hercegovina.

Moslem fighters in Gorazde broadcast an appeal for help as Serb forces continued to barrage the town, which has been cut off from the outside world for three months. "Gorazde will cease to exist without immediate help from outside," the fighters said in a short-wave radio message.

HINA, the Croatian news agency, said 31 people were killed and 61 wounded in an attack by a multiple rocket launcher on Gorazde.

Some 50,000 people have sought refuge in Gorazde, normally a town of 20,000. The siege by Serb militia has severed telephone and road links to the town.

At least 7,500 people have died in four months of fighting since Bosnia gained independence, and some 1.2m people have fled their homes.

Mrs Sadako Ogata, the United Nations High Commissioner for Refugees, yesterday called an international conference on refugees as the exodus from Bosnia-Hercegovina looked set to grow.

Hungary and Austria, each with 50,000 refugees from the former Yugoslavia already, are to seek international backing for a security zone within the former Yugoslav republics to protect victims of the conflict.

The two countries plan to put the proposal, whose idea is borrowed from the operation to save the Kurds from the Iraqi regime, before the Hexagonale group of central European countries this weekend.

Hungary and Austria will also press the issue at the UN Security Council.

The International Red Cross has meanwhile announced a central regional base in Hungary for supplying refugee camps. Mr Peter Tjittes, regional head, said the supply centre in southern Hungary would make expensive long-distance delivery of emergency relief unnecessary.

A resident crosses a Sarajevo intersection which has been blocked by traffic to hamper the vision of Serb snipers

Whaling could hit Norway's EC hopes

By David Buchan in Brussels and Bronwen Maddox in London

NORWAY might find it hard to join the EC unless it drops its plan to resume commercial whaling, Mr Manuel Marin, Community fisheries commissioner, warned yesterday.

With the express intention of putting pressure on Norway, expected to apply for EC membership in November, the European Commission yesterday formally proposed the Community should become a member, in its own right, of the International Whaling Commission (IWC).

Last month Norway announced it would resume commercial whaling next spring, pre-empting an IWC verdict on whether this would be allowed.

Announcing the proposal to seek a Community seat in the IWC, Mr Marin said such a move would make IWC rules and recommendations part of EC law. "Any country wishing to join the Community would have to go along with that."

The EC has only joined, in its own legal right, one other international organisation, the UN Food and Agriculture Organisation, because of the reservations many states, inside and outside the Community, have about letting a collective body into organisations designed for nation states.

But the Commission's quest for an EC seat at the IWC might succeed, given widespread revulsion in the Community to whaling.

Seven EC states, Denmark, France, Germany, Spain, Ireland, the Netherlands and the UK, already belong to the IWC.

Last May the Community adopted a measure to protect endangered species that could clearly cover whales.

Brussels in push to boost recovery of packaging

By David Buchan in Brussels

EUROPEAN industry would get 10 years to increase the proportion of waste packaging it recovers from around 18 per cent now to 90 per cent, under a plan proposed by the Brussels Commission yesterday.

The EC produces some 50m tonnes of waste packaging a year. Yesterday's draft directive, which must win approval from EC governments, aims to cut the large share of this which gets pushed untreated into landfills, and the growing number of purely national curbs on packaging that threaten to create barriers to trade in the single EC market.

Unveiling the long-awaited plan, Mr Karel Van Miert, recently made responsible for the environment in the EC Commission, said that, if the draft directive were adopted, most change would be needed in the south of Europe where public sensitivity to the environment is less. In the north, Denmark would have to drop its ban on aluminium drink cans and let them be recycled.

The Commission was still examining last year's German law making manufacturers and retailers responsible for getting rid of waste packaging, Mr Van Miert said. But he believed Germany might drop restrictions on the burning of packaging, which would be partially permitted under the EC proposal. "We don't want to put spokes in the wheels of those countries such as Germany, Denmark and the Netherlands which are in the vanguard of dealing with waste packaging."

Sensitive at possible charges of Brussels' interference, particularly while the Maastricht union treaty remains unratified, Mr Van Miert stressed member states would be left free on how to meet the targets that would only become legally binding after a decade.

The European Recovery and Recycling Association (ERRA), a grouping of 31 major companies involved in packaging materials, consumer products and retailing, yesterday welcomed the draft directive "as a first step to avoid packaging restrictions being used by countries, or even regions, to wreak havoc with the single market".

As at present drafted, the EC plan would require that 90 per cent of total packaging waste would have to be disposed of by recycling, composting or burning. At least 60 per cent of the total would have to be recycled into fresh packaging or other materials.

ERRA warned that the plastics industry would find it hard to meet this latter target. Plastic wrapping and film had now been reduced to very fine proportions, helping reduce packaging weight. Collecting and cleaning this would be difficult and costly. One element in the plan would be to harmonise the labelling of packaging for the benefit of EC consumers, waste collectors and recyclers.

Ways of cutting UK rebate to be studied

By David Buchan in Brussels

THE REFUND which Britain gets on its net EC budget contributions could be trimmed under two options put to the European Commission yesterday.

But, because of the technical complexities involved in the UK budget rebate issue, the Commission decided not to deliver its final report before its next executive board session on July 22.

Since 1985 the UK, relatively a big net contributor but a poor EC state, has had refunded from Brussels two-thirds of the gap between what it pays into the EC budget and what it gets out.

If the Community retained this formula while putting into effect its budget and farm spending reforms over the next few years, the Commission forecasts Britain would get a smaller rebate on a smaller net contribution.

The effect, EC officials stressed, would thus be roughly neutral, leaving Britain no worse off.

The Commission paper, to be further discussed next week, contains two options rather than firm recommendations. One option is for Britain's payments to the planned "cohesion" fund for Mediterranean countries to be taken off Brussels' calculation of the UK net contribution to EC financing. This would slightly reduce the contributions, and thus the UK rebate.

Such a shift might please Spain which regards it as a matter of political honour, not cold arithmetic, that the north should help the south.

Another option is further to excuse Germany from paying towards the UK rebate. Because Germany gets no direct rebate on what is the biggest EC contribution, Bonn already gets a third off its share of the UK rebate. That raises the question of whether the other 10 countries would pick up Germany's previous share of the refund.

Airlines step up drive for EC control system

By Andrew Hill in Brussels and Daniel Green in London

EUROPE'S national airlines yesterday called for "a quick political solution" to the growing problem of congestion in the skies.

Mr Giovanni Bisignani, chairman of the Association of European Airlines (AEA) and chief executive of Alitalia, attacked Europe's failure to establish a single harmonised system of air traffic control.

Europe's 54 air traffic control centres use 31 different technical systems, none compatible with the others. The computer hardware for the systems comes from 18 different manufacturers and employs 70 different programming languages. At an AEA forum in Brussels, Mr Bisignani said the fragmented system of national jurisdiction over European airspace had doubled delays over the last six years.

Overloading of the European air traffic control (ATC) network has already meant dozens of delayed or cancelled flights this summer.

The International Air Transport Association (Iata) and Eurocontrol, the Brussels-based government backed air traffic control centre, are developing an improved ATC scheme for Europe. But the new system will not be ready until 1995 at the earliest and Iata warned last month that a serious failure of Europe's ATC might occur this summer, leaving aircraft and crews stranded at the wrong airports.

Mr Bisignani yesterday launched an information campaign aimed at shifting the blame for flight delays and cancellations to national and European authorities.

Transport ministers from the European Civil Aviation Conference (ECAC) met in March to consider ways of improving the air traffic control system. But the AEA says ECAC's harmonisation programme will still lead to "a complicated and very inefficient managerial structure" because it will try to preserve national authorities' sovereignty over airspace.

Brussels puts telephones plan on hold

By Andrew Hill in Brussels

EUROPEAN Commission plans to liberalise basic telephone services will not be published until the end of September because of French sensitivity over the issue.

France is to due hold its referendum on the Maastricht treaty in September, and the state-owned France Telecom is one of the most vociferous opponents of further liberalisation.

The Commission yesterday approved directives which would lay the groundwork for greater competition, by harmonising technical and quality standards, and granting third parties access to telephone networks. Brussels also published a paper criticising the excessive cost of cross-border telephone calls.

But the Commission withdrew a policy paper laying out how it would open up cross-border calls to competition. Mr Filippo Maria Pandolfi, the research and telecommunications commissioner, said: "We have evaluated all the circumstances and we have decided to delay it [the review] until September 30."

● The Commission is proposing supplementary funding of Ecu1.6bn ($2.16bn) to bridge the financial gap between its 1990-94 research and development programme and the programme for the next five years. At the same time, Mr Pandolfi said yesterday that the Commission was to rationalise the structure of its two research and technology directorates.

Bundesbank knows its credibility is at stake

Andrew Fisher previews today's council meeting. The outcome is awaited eagerly at home and abroad

CREDIBILITY is a fragile thing. That uncomfortable thought will be in the minds of the Bundesbank's council members when they sit down today for their regular fortnightly meeting in a room on the 13th floor of the central bank headquarters.

With the money supply growing well beyond the target for 1992, the Bundesbank's credibility is clearly at stake – both in the financial community and among Germany's stability-conscious citizens. Inflation is still above 4 per cent a year and recent wage settlements have been higher than the Bundesbank would like.

But drastic action by the central bank would have severe consequences for other European countries. Nor does the Bonn government, struggling to put its finances in order under the weight of the high cost of unification, want to see the German economy hit by another interest rate blast.

Economists' opinions on what the Bundesbank will do vary widely. The consensus is that it will take some action to show concern over monetary developments, but be careful not to go too far. After all the advance speculation, a decision to do nothing could harm credibility.

"They've got to do something," says Mr Jürgen Pfister, economist at Commerzbank. "But they will want to keep its effects limited. Thus it will be largely a symbolic move to show that they are worried and want others to take the problem seriously, but they also want to avoid any disruptions in the European Monetary System or harm to other economies."

So he and others reckon a further half-point rise in the discount rate to 8.5 per cent is most likely. This would narrow the gap with the more important Lombard rate (now 9.75 per cent), which would be left alone. It could be combined with technical measures to limit commercial banks' access to central bank funds.

"Jacking up the Lombard doesn't seem to be on the cards," believes Mr Richard Reid, economist at UBS Phillips & Drew's Frankfurt office. "Most attention is focused on the discount rate or access to Lombard credits." Action on these fronts would, he says, "have a signalling effect without a disruptive effect".

Apart from not wanting to overbalance the EMS, the Bundesbank is also aware that the monetary data are far from clear. Much of the pressure behind the 9 per cent annualised growth in M3 this year has come from high lending to finance east Germany's economic reconstruction; investment subsidies make a large part of this insensitive to interest rates.

Uncertainty over the government's plans to tax savings income has also caused funds to pile up in high-yielding short-term deposits. Moreover, M3 has been swollen by large holdings of the D-Mark in eastern Europe. Bank lending, up by an annualised 12 per cent this year, has also financed property purchases.

According to Mr Martin Hüfner, economist at Bayerische Vereinsbank, "the high credit expansion is less threatening than it looks at first sight. The restrictive policies are working."

The problem, however, recognised by Bundesbank president Mr Helmut Schlesinger and his colleagues, is that its target range of 3.5 to 5.5 per cent for M3 growth in 1992 looks embarrassing in view of this year's monetary pace.

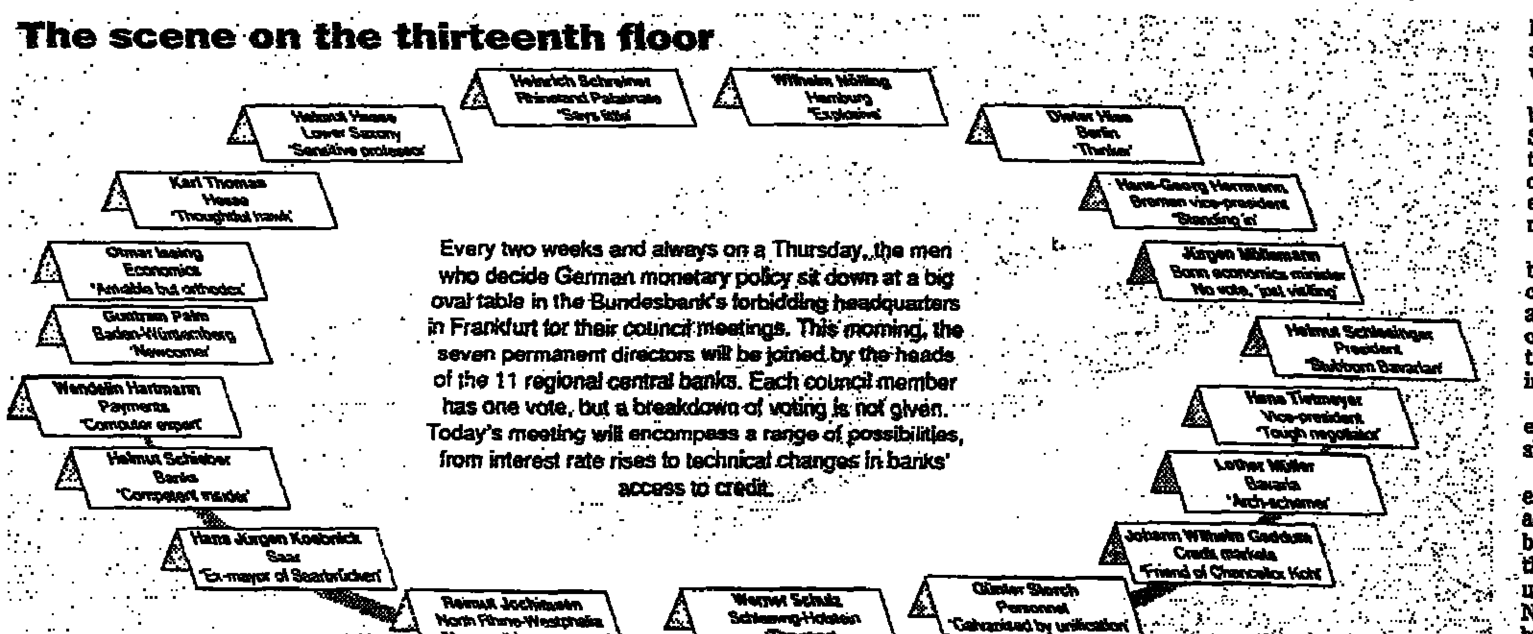
It is unlikely that the target will be changed. That would damage credibility further. But meeting it is also virtually impossible now. Moreover, changes in monetary policy take at least a year to have an impact.

So the real concentration is on ensuring the right conditions for slower M3 growth in 1993.

But that does not mean the Bundesbank's council members have to act now, some argue. "It would be best if they sit on their hands, bite their lips, and say they will wait until M3 comes down," says Mr Nigel Rendell, economist with stockbrokers James Capel in London. Mr Paul Brunker of Robert Fleming also opposes any in-between measures. "The logical alternatives are to raise the Lombard or do nothing."

The dilemma for the Bundesbank is how to balance the need to be effective with the desire not to be disruptive. Thus what the Bundesbank says today about the confused monetary scene could be just as important as what it decides. Despite international concern, it will regard its main audience as the politicians in Bonn and citizens throughout Germany.

The scene on the thirteenth floor



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Raise electricity prices, says IEA

France 'too dependent on N-energy'

By William Dawkins in Paris

FRANCE should reduce its dependence on nuclear energy and bring its low electricity prices more in line with production costs, the International Energy Agency (IEA) said yesterday in its first report on the country.

France's nuclear programme, the biggest in western Europe, is highly efficient and has helped reduce the country's dependence on imported energy, says the IEA, an influential advisory and co-ordination body which groups most members of the Organisation of Economic Co-operation and Development (OECD).

Since the 1973 oil price shock, France has halved its dependence on energy imports but still buys nearly all its oil from abroad, says the IEA in a report to mark France's entry to the organisation. France refused to join the IEA on its formation in 1974 because it feared this would diminish its energy policy independence, but changed its mind during the Gulf war, in view of the organisation's success in co-ordinating the west's oil stocks.

The IEA praises France's low carbon dioxide pollution, a side effect of its nuclear dependence. Emissions of carbon dioxide there have fallen by a quarter over the past 12 years to 1.9 tonnes per head, among the lowest in the IEA.

Yet the organisation warns that France should now do more to diversify away from nuclear energy, which accounts for 75-80 per cent of electricity and 37 per cent of total energy use. "This is a concern from the point of view of the flexibility of the system," said Mrs Helga Steeg, IEA executive director.

The report stresses that France should maintain and modernise its nuclear programme, but suggests it should consider supplementing this with more natural gas and clean coal technology. It also disapproves of exports of nuclear electricity, a significant source of income for Electricité de France, which Mrs Steeg argued was "not a solid policy" for importing countries. Last year Britain was France's largest export customer, followed by Switzerland and Italy.

French electricity prices do not always reflect costs, especially in home central heating, adds the report. Improvement is needed here to encourage energy saving and to give a fairer chance to other kinds of energy. It does not question the usefulness of the monopolies held by France's state-owned electricity and gas utilities, but urges France to promote more competition in energy supply.

Russian reforms hit private sector

By John Lloyd in Moscow

THE pro-market reforms in Russia have vastly increased wages for workers and managers in the state-owned, heavy industrial sector – while pushing many private businesses under and cutting wages in the private sector.

In a further sign of the enrichment of managers who run the state enterprises, Russia's oil producers have earned an estimated $5bn (£2.6bn) this year, none of which has been invested in the industry. The implication is that much of it has been diverted to enterprise or personal bank accounts.

Professor Yevgenny Yasin, the government's plenipotentiary for relations with the parliament and head of research at the Russian Union of Industrialists and Entrepreneurs, told an international economists' conference yesterday these processes, "happening as they do on the eve of large-scale privatisation, are taking on a dangerous character".

Prof Yasin said the directors of big enterprises were pushing up product prices and wages in the expectation of being able fully to control the enterprises, in association with the workforce, once they are transformed into joint stock companies as the government intends later this year.

"This is especially true in those industries most requiring restructuring, where production is dropping – for example in ferrous metallurgy, where production has dropped by 50 per cent over the year."

At the same time, some 50 per cent of the co-operatives had gone bankrupt. While there are now other legal forms of private business, Prof Yasin said: "Certainly, the private sector has suffered while the state sector was able to get benefits from the government."

NEWS IN BRIEF

French inflation down to annual 3%

FRANCE'S monthly inflation rate eased to 0.1 per cent in June, down from 0.3 per cent in the previous month, according to provisional figures from the Insée state statistics body yesterday, William Dawkins writes from Paris.

The result, better than most forecasters were expecting, brings the annual rate to 3 per cent, a fraction below the rate at which inflation had stabilised since March.

The improvement is believed to be due to lower energy prices and a consistently low price rise for goods. Inflation in the services sector, by contrast, is rising slightly above the headline figure. This leaves French inflation at 1.3 percentage points below the rate in western Germany.

EC clears Air France move

The European Community's executive agency yesterday cleared a fresh infusion of capital into the French airline Air France, AP reports from Brussels.

The European Commission said it approved a FFr1.25bn (£128bn) injection by Banque Nationale de Paris for an 8.8 per cent stake in the state-owned carrier. A second one of FFr2.59bn by an international banking consortium was also authorised.

Media chiefs berate Moscow

Liberal Russian media chiefs accused the parliamentary leadership yesterday of trying to impose extensive controls that could pave the way for another hardline coup, Reuter reports from Moscow. In an appeal to President Boris Yeltsin, they criticised two resolutions drafted by parliament's presidium, arguing that these would re-introduce television censorship and impose direct control over a leading liberal newspaper.

French row over 'rule by judges' re-opens

William Dawkins on the latest clash between politicians and the judicial investigation system

A NEWSPAPER report that the Socialist president of the national assembly – constitutionally the third most important man in France – might be charged with political corruption has provoked the latest clash between France's politicians and its judicial investigation system.

The case has aroused alarm among all political parties, including the opposition, who fear that parts of the French magistracy may be running a political campaign.

The magistrate in charge of an inquiry into Socialist party finances, Mr Renaud Van Ruymbeke, refused to confirm or deny the report about assembly president Mr Henri Emmanuelli before taking a month's holiday to leave all involved to stew in impotent fury.

President François Mitterrand has leapt to the defence of Mr Emmanuelli, a former Socialist party treasurer, and urged fast adoption of plans to reform criminal justice, to improve the rights of defendants and reduce the considerable powers of *juges d'instruction*, or examining magistrates.

France cannot be allowed to "fall under a government of judges", warns Mr Michel Vauzelle, justice minister. Magistrates' unions have replied that justice must be done, whoever stands to be charged.

The row is being seen as the latest blow to the Socialists' reputation, after the truckers' strike and a court case over Aids-contaminated blood in the public transfusion service. It centres on a politically charged inquiry into alleged payments by construction companies into Socialist party coffers some time during Mr Emmanuelli's period as treasurer from July 1988 to January 1992.

The case attracted national attention in January when Mr Van Ruymbeke led a raid on Mr Emmanuelli's former office at party headquarters in search of documents relating to a link between the party and Urba, a construction company in Le Mans. He arrived, embarrassingly, on the same day as Mr Laurent Fabius moved in as the party's new first secretary, a coincidence which guaranteed television coverage for Mr Van Ruymbeke and fuelled suspicions that he might be politically motivated.

Mr Van Ruymbeke knows very well that the Urba case is a thorn in the Socialists' side. He took over the inquiry into possible payments by Urba to Socialist officials in western France after another examining magistrate, Mr Thierry Jean-Pierre, was asked by a tribunal in Le Mans to drop the case last year.

The political opposition was enraged at the time by what it saw as government interference in a case that could harm the Socialists and demanded the resignation of the then justice minister.

The judiciary, for its part, has felt that it has been the victim of political interference for years. Magistrates

Emmanuelli: leaked report

were deeply angered three years ago – to the extent of going on strike – when the government gave amnesty to many of the people responsible for the once widespread practice of resorting to corruption to raise cash for political parties.

The amnesty was designed to allow all involved to turn over a new leaf before the introduction of tough new rules on party financing. It did not cover those who enriched themselves rather than their parties, as a result of which more than two dozen businessmen are on trial over allegations relating to the 1988 presidential campaign.

Since the amnesty, the government has on the whole pursued its anti-corruption drive with determination, though it is not clear how deeply it was involved with the removal of Mr Jean-Pierre from the Urba inquiry. Mr Pierre Bérégovoy, the prime minister, is planning to table new laws against political corruption in the autumn. At the same time, he is pushing on with the penal code reforms, to clip the investigating magistrates' wings.

The wide powers of Mr Van Ruymbeke and his colleagues are an outstanding feature of the French criminal justice system. They make inquiries or can order the police to do so, question witnesses, decide alone whether to bring charges and whether the defendant should be held in custody. Often young and on moderate salaries, they take pride in staging elaborate investigations and claim to be ready to root out the truth at any cost.

Mr Van Ruymbeke has even more power himself, because he is an adviser to the prosecuting court and as such does not have to account to the public prosecutor. This quietly spoken, 39-year-old, Rennes-based lawyer, who denies any political motivation, has taken on big targets throughout his professional life. One of his earliest cases was against a former Gaullist labour minister in the early 1970s, who committed suicide after Mr Van Ruymbeke examined his bank account in connection with an alleged bribe. (A subsequent inquiry cleared Mr Van Ruymbeke of any impropriety.)

The advantage of giving magistrates such wide powers is that they are in theory just as interested in proving innocence as guilt, unlike the police, who are understandably more prosecution-minded. The main control on French examining magistrates' powers is that their cases must be scrutinised by a higher court before going to trial. As a result, French higher courts have a greater conviction rate than in the UK, for instance.

However, the government believes that the controls on examining magistrates are inadequate in two senses. There is the often unfair damage a *juge d'instruction* can inflict on a person's reputation. It also believes that there are too many people held in French prisons awaiting trial or judgment – nearly 41 per cent of the total.

So the penal code reform, to be voted in parliament next autumn, would be to abandon the crude principle of charging defendants. Instead, there would be a two-step procedure: an examination followed by a summons. Defendants would have access to the magistrates' documents from the start. Examining magistrates would no longer be allowed to place their own defendants in custody. That decision would instead be made by a panel of three magistrates not involved in the case.

In the meantime, Mr Van Ruymbeke and his colleagues can be expected to make the fullest possible use of their existing powers, however much this might irritate the government.

NEWS: INTERNATIONAL

Business-union accord close in South Africa

By Michael Holman and Philip Gawith in Johannesburg

SOUTH African business and labour leaders are near agreement on a "charter for peace and economic reconstruction" which includes a call for elections for a transitional parliament within six months.

If successful, the Congress of South African Trade Unions (Cosatu), would agree to call off a general strike scheduled to begin on August 3. It was planned to last two or three days, followed during the rest of the week by activities designed to disrupt business life, including sit-ins and encouraging black taxi drivers to create traffic jams.

Instead, employers and unions would co-operate in organising public meetings calling for "peace, democracy and reconstruction". Normal economic activity would be suspended for the day.

Talks with Cosatu are being conducted by the South African Co-ordinating Committee on Labour (Sacola), which represents the country's biggest employers. Earlier this week a Sacola spokesman played down speculation that agreement was imminent, but negotiators said yesterday that a draft document being considered could be approved at the weekend.

The charter will be put to a convention of business leaders for endorsement before the end of July. It would signal the start of a more wide-ranging business involvement in national affairs, fuelled partly by impatience and frustration over the government's performance in recent months.

Businessmen and business-backed institutions such as the Urban Foundation have contributed to housing and education programmes in the past. However, the charter could mark a remarkable new alliance between business and labour, based on a shared objective of a rapid transition to a democratic government.

The charter calls on employers to assist in the creation of community "peace committees", effective monitoring of the security forces, job creation programmes, drought relief, and technical training.

■ The South African Defence Force said yesterday it was "investigating the background" of an SADF member who allegedly took part in a plot to kill Mr Dirk Coetzee, a former South African policeman living in London. Mr Coetzee says he was once in a police "death squad". The plot was prevented by British intelligence.

Responding to reports in London's Independent newspaper, a spokesman said two SADF members went to London in April to look into alleged Irish Republican Army-ANC links. "During the visit, one member, acting without the sanction or knowledge of the defence force, or any other government authority, allegedly decided to arrange for the monitoring of Mr Dirk Coetzee, the former fugitive South African police captain."

Bombay exchange open after scandal

By R C Murthy in Bombay and Shiraz Sidhva in New Delhi

TRADERS yesterday resumed dealing on the Bombay stock exchange after a month-long absence as a result of the arrest of two top brokers and the attachment of their property in the Rs35bn (£650m) securities market scandal.

Share values fell, and the 30-share index was down 177 points to 2,912, with trading restricted to some 250 issues against the normal 1,500. The index was down 35 per cent from a peak 4,467 on April 22.

The brokers had sought freedom to trade in all shares, including those dealt by the disgraced brokers, Mr Harshad Mehta and Mr Bhupen Dalal. But the custodian appointed by the government said each lot traded by the two brokers had to be checked and approved for trading. Under a compromise, traders have agreed to deal provisionally in shares that do not attract attachment by the custodian.

Unit Trust of India, the main mutual fund, which has been objecting to taking delivery of shares brokered by Mr Mehta, was the main buyer yesterday. The exchange set daily limits on the amounts of shares each broker could sell.

■ Mr P V Narasimha Rao, the prime minister, said his government would never allow destruction of a mosque in the northern town of Ayodhya so that Hindus could build a temple on the site. Mr Rao made his statement to parliament in a debate on an opposition no-confidence motion the government expects to win.

Chris Patten, Hong Kong's new governor, points out details on a visit to the airport site at Chek Lap Kok yesterday

HK eases stance on airport negotiations

By Simon Holberton in Hong Kong

THE Hong Kong government has significantly softened its negotiating stance with China over plans to finance the colony's HK$175.3bn (£11.9bn) airport and related projects.

At a meeting of the joint Sino-British airport committee today the government is expected to propose to China that it approve the financial package for the airport and leave resolution of China's concerns about the airport railway to future negotiations. Previously the Hong Kong government had sought approval for the whole financing for the project.

The decision came on Tuesday at the first meeting of the colony's cabinet, chaired by Governor Chris Patten, and might indicate a more pragmatic attitude in dealing with Beijing.

At the same time, the government released details of Hong Kong's foreign reserves – hitherto a secret known only to a few officials and never revealed in detail to Beijing – a move seen to ease China's concerns about the robustness of the colony's finances. It said Hong Kong's foreign reserves were US$29bn at the end of 1991, 12th largest in the world. China's reserves are put at $43.6bn. The government said knowledge of the figure would help lenders to its infrastructure programmes realistically to assess the colony's financial health.

US warns Iraq of risk to ceasefire

THE US yesterday issued its sternest warning in months to Iraq, accusing it of jeopardising the Gulf war ceasefire by refusing to allow United Nations weapons inspectors to enter a Baghdad ministry building in search of documents, writes Mark Nicholson, Middle East Correspondent.

Washington's tough statement, which implies that continued Iraqi resistance to the UN might prompt a military response, came as Iraq itself sharpened its recent defiance of the UN by demanding the annulment of all resolutions adopted since Iraq's invasion of Kuwait in 1990.

In Washington, Mr Richard Boucher, a state department spokesman, said Iraq's refusal to allow a team of UN inspectors access to an agriculture ministry building "is putting at risk the ceasefire that concluded Operation Desert Storm".

Iraqi officials have denied the UN inspectors access to the building since July 5 and have couched the refusal in increasingly hostile terms.

Algeria jails Islamic leaders

AN Algerian court sentenced Islamic Salvation Front (FIS) leaders Abassi Madani and Ali Benhadj to 12 years in prison yesterday, Reuter reports from Algiers.

They were charged with conspiracy against the state, which carries the death penalty. Their party, now outlawed, was blamed for plunging Algeria into 13 months of violence and political turmoil.

Israelis raise campus tensions

Israel's new government yesterday became embroiled in an angry confrontation with Palestinians in the West Bank, underscoring the tensions that persist in the occupied territories despite talk of peace, Hugh Carnegy writes from Jerusalem.

Troops laid siege to about 3,000 students and staff at an-Najah University in the West Bank town of Nablus, insisting on searching people because they suspected armed activists were on the campus.

New Zealand's growth boost

The stream of positive economic indicators in New Zealand continued yesterday, with data showing the economy grew by 1.1 per cent in the March quarter, the third successive quarterly rise, Reuter reports from Wellington.

This followed news that inflation rose by only 1 per cent in the year to June, the lowest rate of all 24 countries in the OECD.

Japan's corporate bankruptcies grow

By Steven Butler in Tokyo

JAPAN'S mainstream manufacturing and service industries saw a sharp rise in bankruptcies during June in a reflection of the broad slowdown of the Japanese economy, the Teikoku Data Bank reported yesterday.

The total debt of bankrupt companies, at Y375.2bn (£1.6bn), was none the less the smallest figure this year, owing to the absence of large property-related collapses. The number of property-related bankruptcies fell from 104 a year ago to 86, registering the first year-on-year decline in nearly two years.

Property companies were first to be in distress last year when a period of high interest rates led to a sharp decline in asset prices. Last month's figures, however, show that corporate difficulties have now spread broadly through the economy.

The total number of corporate bankruptcies during June rose to 1,171, the highest in nearly seven years.

Bankruptcies in construction rose year-on-year by 33 per cent to 236 cases; in manufacturing by 36 per cent to 155; in wholesaling by 36.5 per cent to 284 cases. Similar increases were reported in retailing, transportation and communications, and in other service industries. Teikoku said that the high rate of bankruptcies was expected to continue in the months ahead.

■ Private sector machinery orders in May plunged by 23 per cent from a year ago, the Economic Planning Agency said, making it the seventh consecutive month of year-on-year declines. The agency said that orders from big users in the automobile, chemical and machinery industries have yet to show signs of recovery.

Public sector orders increased by 11 per cent, and are expected to accelerate later in the year.

Miyazawa works hard to rally faithful

By Robert Thomson in Tokyo

THERE was no doubt yesterday about the voting intention of the 77-year-old with the black string tie: "Of course I support Mr Nakasone. How could I not support him? I went to the same primary school as his father."

A little Japanese flag resting in his lap, the Liberal Democratic Party supporter had come to listen to Mr Kiichi Miyazawa, the prime minister, who reassured the local faithful that their man, Mr Hirofumi Nakasone, was worthy of a vote in elections on July 26.

The vote, for half the seats in the upper house of parliament, is seen as a test of voter confidence in the ruling party which has been tainted by scandal, troubled by internal divisions and faced with opposition to legislation allowing military personnel to join overseas peacekeeping missions.

But for all the anguished debate this year over Japan's international role, the issues that yesterday most troubled the people of Gunma Prefecture, north of Tokyo, were bridges, motorways and other public works projects of the pork-barrel variety.

As the well-meaning Mr Miyazawa gave a mostly elderly audience a rundown of his experiences at the Group of Seven summit last week and of his concerns about Russian inflation and Cambodia, a few of the little Japanese flags slipped from freckled hands and eyes gently closed.

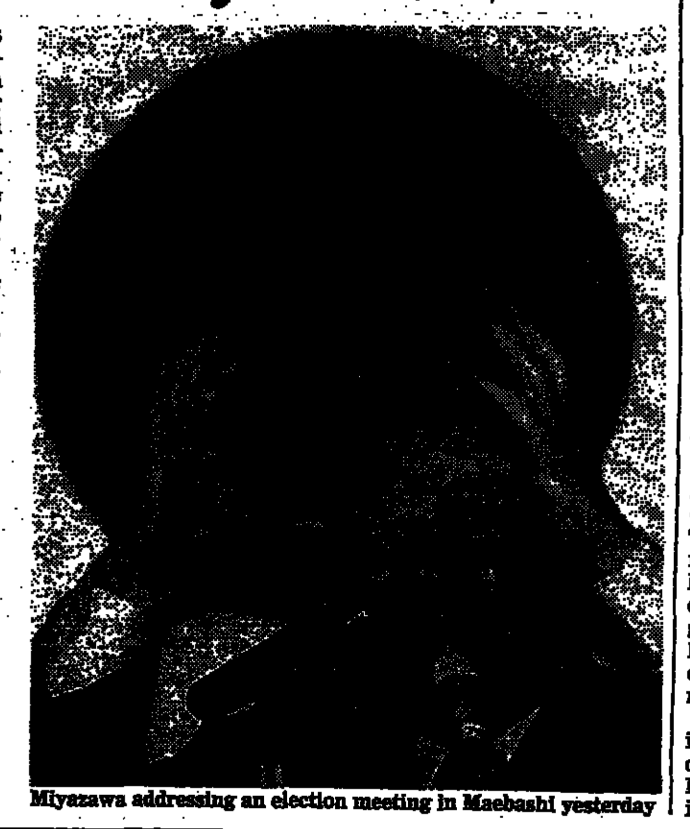
What stirs the locals was better understood by Mr Nakasone, 46, son of Yasuhiro Nakasone, the former prime minister, who began his speech with a polite reference to his respected father and gave a commitment to the eradication of traffic jams in Gunma.

The candidacy of Mr Nakasone is itself a sign of the small-town nature of Japanese politics. There are 13 sons of politicians competing for seats and the people of Gunma who have supported Yasuhiro are inclined to support Hirofumi in his campaign for re-election.

Japan's electoral system works against politicians who neglect the small town. Mr Nakasone is one of four candidates competing for two seats representing the Gunma district, and his main competition is coming from a local member of his own party, Mr Kosei Ueno. The two other candidates are from the Japan Communist Party and Rengo, the trade union party, and are also supported by the Social Democratic Party and the middle-of-the-road Democratic Socialist Party.

LDP officials hope to retain both seats, but one may go to the Rengo representative, Mr Yoshiro Akane, vice-president of the Gunma Sailing Association. With that outcome in mind, the two LDP candidates are running separate campaigns with separate headquarters, forcing Mr Miyazawa to give two separate Gunma speeches.

Meanwhile, Mr Miyazawa will continue his course around the country over the next week, attempting to convince his polite if unmoved audiences that Russia really matters and that Cambodia does count, and remaining slightly irrelevant to the electoral process.



Miyazawa addressing an election meeting in Maebashi yesterday

NEWS: WORLD TRADE

Gatt rules against US in cement dumping row

By Nancy Dunne in Washington and Damian Fraser in Mexico City

A GATT dispute panel has recommended the US return millions of dollars in anti-dumping duties that it wrongly imposed upon Mexican cement producers.

The still-unannounced ruling – under the anti-dumping code of the General Agreement on Tariffs and Trade (Gatt) – comes as the US and Mexico, along with Canada, are in the final stages of negotiating a free trade agreement.

The cement case will be closely watched in Mexico and Canada for evidence that the US is prepared to abide by international rulings.

The decision by the Gatt panel – if accepted by the US – would mean a big victory for the Mexican cement companies, principally Cementos Mexicanos (Cemex), the largest Mexican cement exporter. The anti-dumping decision helped reduce Cemex's exports to 1.4m tonnes last year from 2.26m tonnes in 1990. Cemex redirected many of its exports to Asia at low margins.

The panel finding did not address the question of whether or not Mexican companies had "dumped" or sold at "less than fair value" cement and cement clinker, but it ruled that not enough US companies had come forward to support the complaint.

It was brought in the US as a regional injury case, supported by 61.7 per cent of the producers in parts of an 11-state region. The panel found that "US authorities did not satisfy themselves prior to initiation that the petition was on behalf of producers of all or almost all of the production in the regional market."

Cemex had been, in 1989, the largest exporter of cement to the US, accounting for 28 per cent of the total. Under the terms of the anti-dumping suit, Mexican companies had to pay 58 per cent duties on their exports to the US.

Cemex was operating at 81 per cent of capacity at the end of 1991, mainly in meeting demand at home, so it may have only small scope to expand exports.

In the longer run, though, the decision should benefit Cemex, which plans to spend $1bn to increase output by 35 per cent in three years.

Drop Nafta, Mulroney told

By Bernard Simon in Toronto

ONTARIO, which contributes 40 per cent of Canada's economic output, has joined calls on Mr Brian Mulroney, Canadian prime minister, to pull out of talks on a North American Free Trade Agreement (Nafta).

Mr Bob Rae, Ontario's social democrat premier, urged Ottawa to suspend its participation, in protest against "virtually unending trade harassment" by the US. British Columbia, which also has a left-of-centre government, recently made a similar call.

But the Mulroney government has given no indication of bowing to growing pressure to withdraw from the Nafta talks with the US and Mexico. Mr Michael Wilson, international trade minister, is expected to join his US and Mexican counterparts on July 25 for the "final push" towards a Nafta pact. However, a US trade official said last night the talks could last until September before all disputed areas were resolved.

A Canadian official said yesterday that Ottawa's commitment to Nafta remained "rock-solid". He acknowledged that selling the accord to a sceptical public would be tough in the run-up to a general election next year, but said: "The bottom line is that we have no choice but to be there."

Opinion polls show most Canadians oppose Nafta and the existing free trade agreement with the US. They blame the latter for job losses and fear that Nafta will bring an exodus of jobs to Mexico.

Big three weigh in for HK container port

Simon Holberton looks at the contenders for Kwai Chung's four-berth dock contract

THE right to build Hong Kong's ninth container terminal is developing into one of the biggest commercial issues the Hong Kong government has to face this year.

This week, the three consortiums presented their proposals to the government. They expect to attempt to qualify as bidders for a four-berth dock costing an estimated HK$10bn (£67.5m) at the colony's Kwai Chung container port.

The debate centres on the perceived need for more competition in the port to hold down costs to shippers and the need to ensure that existing operators remain profitable enough to fund current and future expansion plans.

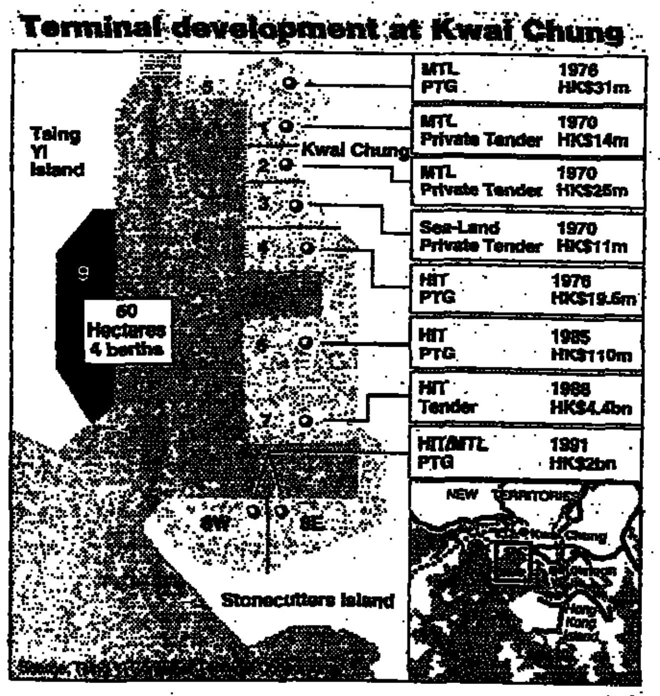
Underlying these arguments is the bidders' desire to increase control of a facility that has been growing by 20 per cent a year and does not look like slowing down.

The potential of the colony's port was underlined by plans announced by the Wharf group to build a major distribution hub in Wuhan, Hubei Province, central China.

In 1998 a dual-track railway will be completed, linking Beijing to Shenzhen. As the east-west transportation links in China are poor, a distribution centre linked to the railway has the potential to feed manufactures and farm produce from the heartland of China to the south China coast.

The contest between the prospective bidders includes not only the big operators of the port – the Hutchison Whampoa subsidiary Hong Kong International Terminals (HIT) and Modern Terminals Limited (MTL) – but also the Jardine Matheson group, and Evergreen, the Taiwanese shipping group.

Terminal development at Kwai Chung



The three consortiums are all strong. HIT and MTL have joined forces and, if successful, will rationalise their existing ownership of berths which they claim will lead to efficiencies and higher container throughput.

The Jardine consortium – known as the Tsing Yi Container Terminal Consortium – includes Jardine Pacific and Hongkong Land, Sea-Land Orient Terminals – which already operates one berth at the port – Sun Hung Kai Properties, New World Development, Sinotrans of China, and Hanjin of South Korea. Jardine group members are expected to take a 30 per cent share of the consortium.

The third group bidding for the right to operate the new terminal is led by Evergreen, and goes by the name United Terminal Consortium. It includes Genstart Container Corp., Guangdong Enterprise Holdings, Henderson Land Development, and three Japanese trading houses - Marubeni, C. Itoh and Nissho Iwai.

The current operators of the port, HIT, have been promoting themselves as the most efficient operator of Hong Kong's port facilities. They have also let it be known that failure to win Terminal 9 will diminish their interest in further planned container development - Terminals 10 and beyond on Lantau Island.

MTL and HIT have also threatened to invest in southern Chinese port development if they fail to win their bid for Terminal 9. Sea-Land, which already has container facilities at the southern Taiwanese port of Kaohsiung, has said its position in Hong Kong would be under question if its bid fails.

Calls for more competition have come from the Hongkong Liner Shipping Association and the Hong Kong Shippers Council, which represents exporters.

They believe a greater diversity of ownership of the port will lead to lower costs of moving cargo across the docks. In the aggressive public relations campaign, the Jardine consortium is trumpeting the efficiencies of Sea-Land, its operator.

Sea-Land with just one berth, or 6 per cent of the Kwai Chung port, directly handles 11.5 per cent of the TEU's (20 ft-equivalent) containers which pass through it.

Sea-Land also boasts a faster load/unload time than its competitors, shifting, on average, 22.5 TEUs an hour, compared with an average at the port of 18. It says that this is an important consideration when ship owners have to pay between $25,000 and $30,000 a day in port.

Moreover, the Jardine group has produced figures showing terminal handling charges, paid to shippers by importers and exporters, are higher at Kwai Chung than at any other port in the region.

But more than 60 per cent of Sea-Land's terminal business is conducted with ships owned by Sea-Land or in a Sea-Land consortium; they too pay a terminal handling charge in spite of the claimed efficiencies.

HIT/MTL so far have rested on their record of investment in the port. HIT has spent HK$21bn over the past 20 years and feels this "commitment" entitles it to a say in its future.

It denies claims of high charges, pointing out that HIT's charges have risen 3.5 times over the past 15 years, while the capital cost of berth construction has risen almost 15 times.

HIT also points out that any new operator will face higher costs than an existing one in constructing Terminal 9 and that these higher costs will feed through to higher handling charges. Existing operators have the advantage of being able to spread the cost over existing facilities.

It has also taken up the issue of competition. Efficiency is best served, HIT contends, not by increasing internal competition but by maintaining co-operation between operators.

MAZDA is Creating Harmony Between the Environmental and Technology Based on Innovation

1963
DEVELOPMENT OF BLOW-BY GAS CONTROL SYSTEM FOR CONVENTIONAL ENGINE. (FIRST COMPANY IN THE AUTO INDUSTRY)

1966
BEGINNING OF RESEARCH AND DEVELOPMENT OF ELECTRIC CARS.

1967
ESTABLISHED THE EXHAUST GAS RESEARCH CENTRE.

1970
INSTALLATION OF WASTE WATER TREATMENT SYSTEM.

1971
MAZDA JOINS THE NATIONAL RESEARCH AND DEVELOPMENT PROGRAM OF THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY.

1973
RX-3 IS THE FORERUNNER IN PASSING THE CLEAN AIR ACT STANDARDS.

Mazda Environmental Action

1976
LUCE PASSES 1978 JAPANESE STANDARDS WITH EXHAUST GAS RECIRCULATION.

1979
BEGINNING OF RESEARCH ON METHANOL CARS.

1982
PRESENTS THE FAMILIA EV AND EV PROTOTYPES AT THE ELECTRIC AUTOMOBILE CARAVAN.

1987
MAZDA BEGAN OPERATING THE ENERGY CENTER, THE FIRST CO-GENERATION SYSTEM EVER USED BY AN AUTOMOBILE MANUFACTURER IN JAPAN.

1988
ELECTRIC VEHICLE DEVELOPED BY MAZDA WAS USED FOR LIVE-BROADCAST AT THE SEOUL OLYMPIC MARATHON.

1990
CREATED THE ENVIRONMENTAL & SAFETY ENGINEERING DEPARTMENT.
CREATED THE RECYCLING PROMOTION COMMITTE.

1991
REUSE OF PAPER BEGINS.
HYDROGEN ROTARY ENGINE CAR PRESENTED AT THE TOKYO MOTOR SHOW.
SURROUND COMBUSTION LEAN-BURN ENGINE, M-MILLER CYCLE ENGINE, AND NEW GENERATION COMPREX DIESEL ENGINE PRESENTED AT THE TOKYO MOTOR SHOW.

1992
ESTABLISHMENT OF THE MAZDA GLOBAL ENVIRONMENTAL CHARTER.
STARTING WITH 1992 MODELS, MAZDA BEGAN INDICATING MATERIAL IDENTIFICATION CODE ON PLASTIC COMPONENTS IN ACCORDANCE WITH INTERNATIONAL STANDARDS ORGANIZATION (ISO) 1043.
DEVELOPMENT OF A NEW DECOMPOSING CATALYST CAPABLE OF RECOVERING OIL FROM ALL TYPES OF PLASTICS.
DEVELOPMENT OF WORLD'S FIRST REPEATEDLY-RECYCLABLE PLASTIC COMPOSITE.
THE "MAZDA ENVIRONMENTAL ACTION" SYMPOSIUM WAS HELD IN LONDON.

INDUSTRY INITIATIVES FOR ENVIRONMENTAL CONSERVATION

mazda
©Mazda Motor Corporation

The Democratic convention approaches its climax

Clinton and Gore take centre stage

By Jurek Martin in New York

DESCRIBING the experience as "amazing and humbling", Governor Bill Clinton of Arkansas prepared last night to accept the presidential nomination of the Democratic party.

The first two days of the convention which began in New York on Monday were, according to Mr Ron Brown, the Democratic national chairman, "all about defining the party". The next two were designed "to shift the definition" to Mr Clinton and Senator Al Gore, his running mate.

Mr Clinton's remarks were elicited on his morning run in Central Park. Otherwise he kept out of sight yesterday, working on the vitally important acceptance speech he will deliver tonight, and so did just about everybody else before the formal events of the evening culminate in the ballot for the nomination.

Mr Jerry Brown, the former governor of California, also went into seclusion working on the remarks he will deliver when he proposes himself for the nomination. It remained an open question whether he would endorse Mr Clinton or not, but the Californian delegation, containing his most fervent supporters, gave a warm reception to Mr Gore yesterday morning, suggesting the heat had gone out of their dissent.

Ron Brown predicted that Jerry Brown would come round, if not necessarily tonight. Asked what would happen if the former governor exceeded his allotted 20-minute speaking time, he grinned and replied: "We have this podium that goes up and down."

He complimented the Rev Jesse Jackson for his endorsement of the Clinton-Gore ticket on Tuesday night. The civil rights leader, he said, was "a constructive force" who had always supported Democratic presidential candidates and who would be essential for success in the November election.

Mr Jackson had indeed referred to "President Bill Clinton", declaring: "The hopes of many depend on your quest, be comforted that you do not stand alone." But much of his relatively subdued speech was an invocation of the traditional liberal causes which he is known to feel have been given less than their due by Mr Clinton's determination to bring the party back towards the centre.

The party platform approved on Tuesday night was very much shaped in Mr Clinton's moderate image, with all minority recommendations voted down, though without rancour. Ron Brown described it yesterday as "common sense and pragmatic" and related to the problems of working people.

He drew attention to the party's commitment to fight Aids. The convention had heard two moving speeches from Aids sufferers, though both were delivered before live prime time television coverage began.

This coverage is much more sparse than in the past, reflecting commercial pressure on the networks and the decline in public interest in conventions. Senator Edward Kennedy of Massachusetts, the focus of so many previous conventions, was to speak last night long before the cameras rolled, but an exception was being made for Governor Mario Cuomo of New York, who was to make the nomination speech.

Though satisfied with the party's unity and Mr Clinton's rise in the polls, Ron Brown was not complacent yesterday. The great mistake of 1988, he said, was not to know what to do after the convention. "There will be no interruption in this campaign," he stated, pointing out that Mr Clinton and Mr Gore leave New York for a multi-state bus swing.

Carter calls for peace-making

MR Jimmy Carter, a defeated Democrat welcomed by his party, attacked his Republican successors late on Tuesday for fostering poverty at home and bloodshed in Latin America. He expressed doubts about the need to make war on President Saddam Hussein in Iraq last year, agencies report from New York.

"The world cries out for peaceful resolution of conflict," the former president told the Democratic party convention in New York, "but our country is seen as more warlike than peace-loving. Our country should seek greatness in peace, not war."

He portrayed the US government, since his tenure in 1977-81, as driven by expediency and impatience with negotiation, as well as being indifferent to poverty and callous toward the environment.

"This has got to change," Mr Carter said. He did not mention ex-President Ronald Reagan or President George Bush by name, but his targets were clear.

Earlier, in an interview, the Democratic senior statesman said he believed Mr Ross Perot, the independent billionaire preparing a tilt at the presidency this year, would be a big factor in the election and could ensure the election of Governor Bill Clinton, the presumptive Democratic candidate, or throw the race to a decision by the House of Representatives.

Mr Carter said the Democratic party this year was "coming back to a more moderate position", similar to the one he had advocated. He said he would have a "limited role" in the campaign.

Wall Street contemplates change of guard

Business is paying more attention to Clinton, writes Michael Prowse

THE QUIET carpeted corridors of Wall Street's top brokerage houses seem a world away from the bustle and bunting of Madison Square Garden.

This election year, however, Wall Street executives are playing unusually close attention to events at the Democratic party convention. Many have a sinking feeling that Governor Bill Clinton could just win the presidency in November.

The reaction on Wall Street today to the Clinton/Gore ticket is absolutely clear, says Mr Donald Straszheim, chief economist at Merrill Lynch, the broker. "It is fear, hostility and apprehension."

He has just completed an analysis of the economics of presidential elections and the omens do not look good for President George Bush.

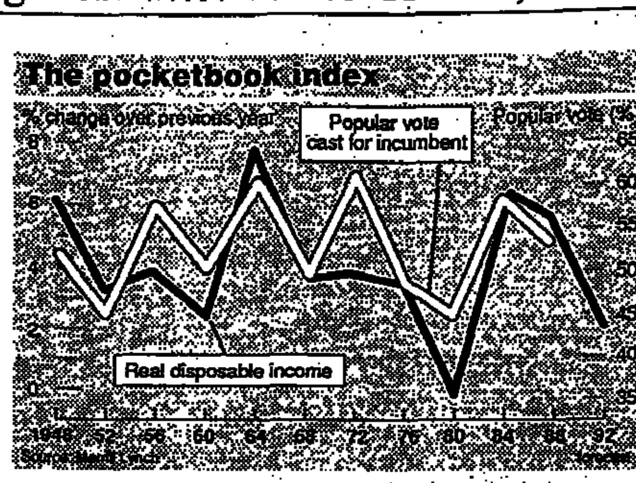
"The message is that the public votes its pocketbook," he says. Economic growth in the first three years of the Bush presidency has averaged a meagre 1.1 per cent a year, the worst record of any administration since the 1930s. Mr Bush's performance is far worse than that of either the second Eisenhower administration in the late 1950s or the Carter administration in the late 1970s, when growth averaged 2.5 per cent and 2.3 per cent respectively. Both incumbent parties lost the presidency.

The figures on personal incomes are even more depressing. Incumbent parties have invariably lost if the growth of real personal disposable income in the year preceding the election has dipped significantly below about 4 per cent, Mr Straszheim says. Under Mr Bush, the figure is likely to be just over 2 per cent, nowhere near good enough to guarantee re-election.

Earlier this year, most analysts in financial markets assumed Mr Bush would win a second victory in November. Mr Straszheim is far from alone in taking the possibility of a Clinton presidency seriously.

Mr Allen Sinai, chief economist at The Boston Group, an economic consultancy, says: "My working assumption is that the Clinton/Gore ticket will win." He regards the weak economy as only one of several factors that could pull Bush down.

"The disenchantment with Washington" will count against Mr Bush as will the growing perception that the "president is asleep at the wheel," he adds. In failing to respond to acute domestic problems, Mr Bush appears "almost as inept as President Carter in 1980".



Mr Clinton's shrewd selection of Senator Al Gore from Tennessee – another moderate southerner – as his running mate is also seen as significantly strengthening the Democratic ticket. On Wall Street, now largely a meritocracy, even committed Republicans feel uncomfortable defending Mr Dan Quayle, vice-president, who is widely regarded as lacking the qualifications for high office.

Mr Gore's intellect and energy, on the other hand, command grudging respect.

One leading Wall Street bond market commentator, who wishes to remain anonymous, is convinced Mr Clinton will win. But he says none of the above arguments is as important as the Supreme Court's recent decision narrowly to uphold abortion rights. With polls indicating that a majority of Americans are "pro choice," he claims this was the perfect result for Mr Clinton.

It allows the Democrat to present himself as the only plausible bulwark against the one judicial appointment needed by Mr Bush to overturn Roe vs Wade, the 1973 decision that legalised abortion. At the convention, a succession of prominent female politicians, led by Governor Ann Richards of Texas, has pushed abortion to the fore, aggressively declaring themselves pro-choice.

On Wall Street, predictions of a Ross Perot presidency were conspicuous by their absence. Some analysts doubt the Texan entrepreneur will actually run. The consensus is that he will press ahead but, like all previous independent candidates this century, be squeezed out by the two main political parties.

In a part of Manhattan where Republican voters overwhelmingly outnumber Democrats, many executives remain quietly confident that Mr Bush will successfully relaunch his campaign in Houston next month.

Mr David Resler, chief economist at Nomura Securities and a self-styled libertarian, says Mr Bush is likely to get the most votes despite his poor economic performance. But he worries that nobody will win a clear victory on November 3, in which case the House of Representatives makes the final decision. "This would be the worst possible result for financial markets because it would create the maximum uncertainty."

Perhaps belatedly, Wall Street recognises that political judgments are now indispensable when making financial forecasts for 1993 and beyond. But analysts differ on the importance of politics.

Mr Paul Mastroddi, a senior economist at J.P. Morgan, the New York bank, says a Clinton presidency would not alter the economic outlook all that much. People underestimate the constraints the budget deficit imposes on politicians of any party, he argues.

Mr Leonard Santow, a founder of the Wall Street firm Griggs and Santow, disagrees. A Clinton presidency would make a big immediate difference because a Democratic White House, co-operating with a Democratic Congress, could actually do something. "If Clinton wins, you would get a lot of early stimulative legislation, making up for 12 years of lost time." Growth next year would be 3 per cent compared with 1-2 per cent if Mr Bush were returned, he argues.

Financial markets are traditionally wary of Democrats. But faster growth under Mr Clinton would put upward pressure on US interest rates. In the short run at least, the dollar could thus strengthen if a Clinton victory appeared likely.

Wall Street is only beginning to think through the longer-term implications of a possible changing of guard in Washington. Many analysts fear for their own pocketbooks because Mr Clinton has promised to raise taxes on the wealthy. But aspects of Mr Clinton's economic programme, which emphasises the need for investment in education, training and infrastructure, are viewed positively.

Black leaders come into their own

WHEN it comes to stirring the emotions, Mr Jesse Jackson is still unmatched within the Democratic party, writes George Graham in New York.

Although relegated to a less prominent speaking slot at this year's party convention, he did it again on Tuesday night, rousing his audience in Madison Square Garden with a powerful sermon on inequality and compassion.

But the convention has brought to the fore a different style of black leadership, with men and women who have chosen to take elected office. They include, in Congress, Representatives Bill Jerrson of Louisiana and Mike Espy of Mississippi; in the states, governor Douglas Wilder of Virginia; or, in the party, Mr Ron Brown, the Democrats' first black chairman.

Many of Mr Jackson's supporters were disappointed that he ducked the opportunity to follow the same path by running for mayor of Washington DC, choosing instead to take the more symbolic role of "shadow senator" lobbying for Washington to be allowed statehood.

Mr Brown served as convention manager for Mr Jackson's presidential campaign in 1988, but he moved on to become a senior political adviser to the Dukakis campaign. Since taking over as party chairman in 1989 he has worked to create a Democratic campaign apparatus ready to work for whoever emerged from this year's primaries as the party's presidential candidate.

A 50-year-old partner in the Washington law firm of Patton, Boggs and Blow, Mr Brown is a smooth-tongued and sharp-suited operator behind the scenes.

In the last three years, however, he has taken a prominent role as the Democrats' spokesman, filling the void left by the low-key leadership of Congressional Democrats like Mr Tom Foley, speaker of the House of Representatives.

Governor Bill Clinton, in his campaign for the presidential nomination, has been perceived by some as shunning black votes by pointedly distancing himself from Mr Jackson. In fact, however, he has developed strong support from the new generation of black leaders such as Congressman Espy.

"I think the Clinton campaign has been very smart. They have gone directly to indigenous leaders and elected officials," said Congressman John Lewis of Georgia, a legendary figure from the civil rights era who bridges both wings of the black community, and who has backed Mr Clinton in his home state of Georgia and in the south.

On Tuesday Mr Clinton won the endorsement of Mr Wilder, the country's first black governor since Reconstruction after the Civil War, who was briefly a candidate for the Democratic nomination.

The strategy is risky. "Don't Mess With Jesse" is a cry that reverberates strongly, particularly with big-city black leaders like Congresswoman Maxine Waters of Los Angeles and Congressman Charles Rangel of New York.

But Mrs Hillary Clinton's enthusiastic welcome by the Democratic national committee's black caucus suggests that her husband's bridges to the community have by no means been burned. "We will speak for you in November at the ballot box," said Dr C. DeLores Tucker, the caucus' chair.

Convention colleagues: Congresswoman Nancy Pelosi and Reverend Jesse Jackson in buoyant mood. A different style of black leadership has come to the fore

Bush hoping to hook Baker as campaign guru

By Jurek Martin

PRESIDENT George Bush and the Republican party have mostly let Governor Bill Clinton and the Democrats hold centre stage this week, half in the hope that the opposition would revert to type and disembowel itself.

That has not happened, which means that when the Democrats leave New York attention will turn again to the incumbent and his team.

Campaign watchers are eager to see what emerges from Mr Bush's two-day fishing trip, which began yesterday in Wyoming. At issue is not what Mr Bush and Mr James Baker, secretary of state, catch in the rivers, but whether the president can lure his old friend back into a leading role in his stuttering campaign.

Four years ago, when the Democrats were nominating Mr Michael Dukakis in Atlanta, the two men also went fishing in Wyoming. Two weeks later Mr Baker resigned as Treasury secretary to run the Bush campaign and was considered instrumental in turning a double-digit deficit into a comfortable victory in November.

Mr Bush, according to the polls, is faring better than then, but the likelihood is that Mr Clinton will prove a tougher nut to crack than Mr Dukakis, while Mr Ross Perot is still muddying the conservative waters.

Moreover, it did not help Mr Bush that he was mildly booed when he attended an all-star baseball game in San Diego on Tuesday night. Undoubtedly more Americans were watching that game on television than they were the Democratic convention.

One option is for Mr Baker to be brought back as a combined campaign and domestic policy supremo. This has been assiduously denied for weeks and it may be that he can exercise at least the campaign part of the role from his present perch at the State Department. But his greater involvement is desired by many in the party.

There is expectation of a dirty campaign to come.

The Republicans have disowned the activities of Mr Floyd Brown, now a renegade conservative activist but notorious for having been the producer of the scurrilous "Willie Horton" commercial four years ago which so damaged Mr Dukakis by playing on the fears of white Americans.

Mr Brown has been digging into Mr Clinton's private life and is trying, among other dirty tricks, to activate a telephone hotline featuring alleged taped conversations between Mr Clinton and Ms Gennifer Flowers, a one-time night club singer. On Tuesday the Bush campaign filed a formal complaint against Mr Brown with the Federal Election Commission and the president said in San Diego that "we will do whatever we can to see that he does not use my name for these nefarious purposes".

The tenor and timing of the re-election effort ultimately lies with Mr Bush.

In one respect, the president has been consistent. He has always insisted the campaign proper will not begin until the Republican convention a month from now in Houston. Only then, he has argued, will the public mind concentrate on the alternatives.

It has, however, been an increasingly hard argument to sustain in the face of sagging poll ratings. The latest of these, reported in the New York Daily News last night, has Mr Clinton soaring ahead with 40 per cent of the vote, Mr Bush 31 per cent and Mr Perot 20 per cent.

Fujimori and military in awkward embrace

Sally Bowen on the problems and politics of the Peruvian president

AN unprecedented "ceremony of institutional unity", held last week by Peru's army top brass, has raised the first serious doubts about the solidity of armed forces backing for President Alberto Fujimori's *de facto* regime.

The flamboyant event involved some 2,000 army officers from all over the country and seemed to have been intended to provoke similar demonstrations of unquestioning loyalty by navy, air force and police. So far these have failed to materialise.

On the surface, the parade and speechifying were a robust response to an interview given in Europe by Mr Mario Vargas Llosa, the internationally renowned Peruvian novelist who was defeated by Mr Fujimori in the last presidential election.

His suggestion that Latin America would be better off without its armed forces unleashed a hail of abuse from the Peruvian army's supreme commander, who accused him of "sickly anti-militarism" and of "being a Peruvian only by geographical accident".

Along the way, army support for Mr Fujimori's suspension of the constitution on April 5 was roundly reiterated.

Mr Vargas Llosa carries no political weight in Peru today so one must look for the hidden agenda behind the attack. The show of unity, admit even sources close to Mr Fujimori, conceals a potentially damaging discontent in the ranks of Peru's ever-influential armed forces.

Their first gripe is about money. Many enthusiastic but ingenuous officers expected immediate financial benefits from the money "saved" through the disbanding of Congress. But pay levels remain low – generals take home less than the equivalent of $400 a month, even though Lima is now as expensive as New York – and unprecedented numbers of officers are leaving the services. Most US military assistance remains frozen because of congressional concern in Washington over human rights abuses.

Prospects for salary improvements are poor. Mr Carlos Boloña, economy minister, reiterated last week that any public-sector pay rises possible under his stringent fiscal management would follow established priorities – security forces first, then education and health workers.

The second concern, at least for the thinking and honest element among the military, is the lack of real progress against subversion and drug-trafficking. Mr Fujimori's double-edged justification for his dissolution of congress in April. "The recent avalanche of detentions makes it appear there is a counter-subversive strategy," said one high-ranking naval officer, "but that's not so. There isn't the political will for it."

Reports from Peru's coca-growing zones, meanwhile, indicate that sectors of the army and police are still involved in "protecting" drugs aircraft, collecting fees of between $3,000 and $5,000 per flight.

A further cause for military unease is the continuing – for many, malevolent – influence of a once-cashiered captain over the president. While Mr Fujimori insists that Mr Vladimiro Montesinos is simply his personal lawyer and one of a number of close advisers, top military and intelligence men attribute extensive powers to this shadowy figure they call "the phantom of the palace".

Recent wrangling over promotions, where the hand of Mr Montesinos is said to rule, has left an after-taste of bitterness and suspicion with many high-ranking officers. "We never get to talk directly with the president any more," complains one. "Montesinos just comes and gives us the latest news through a half-open door."

There are signs that, as Mr Fujimori draws closer to the military – he has virtually abandoned the government palace to live in the military Pentagonito (little Pentagon) in Lima – support from the *de facto* regime's other two pillars is starting to be eroded.

One prominent entrepreneur, a regular member of the presidential entourage on a series of investment-seeking trips abroad last year, says: "President Fujimori is becoming more and more isolated from the real world. His increasing authoritarianism is very perturbing."

The reality, however, is that, with international funding and overseas investor interest in abeyance until a return to democracy has been engineered, support from the business community is of little immediate interest to a pragmatic president. "Peruvian businessmen have always prostituted themselves before whoever's in power", said one close presidential adviser. "For a while, they were the darlings – but not any more."

Support on the streets is, too, falling from its initial euphoric levels. A survey by the Lima-based Apoyo polling organisation in late-June showed popular approval for Mr Fujimori at 68 per cent, down eight points in little over two weeks.

But the president continues his periodic tongue-lashing of the traditional parties and the media – tactics which usually push his ratings up a few points. News of the collapse of a series of financial institutions linked to the previous government has also been skilfully handled by the presidential psych-ops team to achieve maximum discredit for the opposition Apra party in particular and politicians in general.

Diplomatic observers continue to wring their hands at the degree of improvisation which pervades every level of government activity. Hardly a decree is passed, a tax level fixed or an election date finalised than it is retracted within hours. "The problem is," explains a rueful presidential adviser, "that Mr Fujimori knows what he wants but he doesn't know how to get there."

Industrial output in US falls 0.3%

By Nancy Dunne in Washington

US industrial production fell 0.3 per cent in June, the first decline in five months, the Federal Reserve reported yesterday.

Although most of the fall was attributed to a two-day rail strike which led to a drop in coal mining, other key sectors were also lagging.

The output of consumer goods fell 0.4 per cent with cuts in car and truck assemblies accounting for about half the total loss.

Production of appliances and furniture continued to improve – a sign of the boost given to housing with lower interest rates – but the output of many non-durables, including food and clothing, also declined.

The Industrial Production Index had been rising about 0.5 per cent for each of the preceding four months.

Although analysts had been expecting a June decline in industrial production, the fall underlined the frailty of the economy and bolstered fears that the recovery might stall or fall into a "triple-dip" recession.

Unemployment, now at 7.8 per cent, is unlikely to show much early improvement, with large numbers of projected lay-offs being announced by the week.

Industrial capacity utilisation in June fell 0.4 percentage points to 78.5 per cent.

Other reports have indicated similarly lacklustre economic performance, despite sharp reductions in interest rates. On Tuesday, the Commerce Department said retail sales went up just 0.5 per cent in June after a 0.4 per cent gain in May.

For the second quarter as a whole, production grew at an annual rate of 4.5 per cent, in contrast to the opening period when it shrank by 2.9 per cent.

Sea Containers bids to run rail franchise

By Richard Tomkins, Transport Correspondent

SEA CONTAINERS, the Bermuda-based shipping group headed by Mr James Sherwood, yesterday revealed that it had put in a bid to operate a large proportion of British Rail's Network SouthEast services as soon as they come up for privatisation.

Mr Sherwood has formally approached the government with proposals to take over all services on the network between London and the south coast towns of Weymouth, Portsmouth, Brighton and Eastbourne, including services from Gatwick Airport into central London.

If successful, Mr Sherwood would plan to introduce double-decker trains to the main routes so that larger numbers of commuters could be carried in more comfort than is now possible.

He is also considering the idea of running "jam-buster" car shuttle trains that would whisk motorists and their vehicles through heavily congested south-east England and into central London.

Mr Sherwood's proposals go far beyond those of other companies that have so far expressed an interest in taking advantage of the government's rail privatisation proposals set out in a policy paper on Tuesday.

Companies such as Virgin Atlantic, the airline, and Stagecoach, the bus operator, have focused on the idea of operating a small number of trains on InterCity routes where BR will continue to be the main operator.

Mr Sherwood, however, aims to be one of the first companies to bid for a franchise to take over an entire tranche of BR services.

Sea Containers' claim to credibility as a train operator rests on its position as one of Britain's larger transport companies.

Its operations include Wightlink, the Isle of Wight ferry operator; Hoverspeed, the cross-Channel hovercraft and catamaran service; and the Isle of Man Steam Packet Company.

As proprietor of the Venice Simplon-Orient-Express, which runs twice weekly between London and Folkestone, it is also the only existing private sector operator of regularly scheduled trains on BR tracks.

Mr Sherwood' plan is to take on BR's rolling stock initially but gradually to replace it with his own. He would be looking for a 60-year franchise, terminable by the government at 10-year intervals.

Steep fare increases would be necessary to make the services pay, Mr Sherwood said. Part of the deal would have to be an agreement by the government that commuter fares would be allowable against tax.

Irish ministers meet Unionists at Stormont

Irish ministers left the Stormont parliament buildings in Belfast yesterday after meeting Unionist politicians as talks on Ulster's future broke fresh ground. From left: Des O'Malley, industry minister; John Wilson, deputy prime minister; Padraig Flynn, justice minister and David Andrews, foreign affairs minister. Unionists have not met Irish ministers in Belfast since the troubles began and talks have never before included representatives of hardline and moderate Unionism. The talks, forming the second "strand" of a process which began in April, opened in London last week and continue today.

The symbolism of the meeting was increased by being so soon after the traditional celebrations at the weekend of the Protestant William of Orange's victory at the 1690 Battle of the Boyne over the Roman Catholic King James II.

Government 'no longer at war' with trade unions

By David Goodhart, Labour Editor

THE UK government is no longer at war with the trade union movement and believes that they can have a valid role, according to Mrs Gillian Shephard, the new secretary of state for employment.

Mrs Shephard told journalists yesterday that she was not interested in "talking to the unions in a hostile way". She added that the government's trade union bill, which introduces a number of further restrictions on the unions and is likely to go before parliament in October, was only a "tidying up exercise".

"I don't see this as part of a war against the trade unions. There was a war in the 1980's but that is now over", she said.

These comments are the first attempt by Mrs Shephard to distance herself from the more aggressive stance of her predecessor Mr Michael Howard, the new environment secretary.

She has tampered little with Mr Howard's trade union bill, which includes restrictions to strike action and to the automatic "check-off" of union dues by employers, but has added an element of her own which deliberately underlines her own priorities.

The new element is a move to shake-up the schools Careers Service by insisting that the service, currently run by local authorities, is put out to tender.

"We must free up the provision of careers advice," said Mrs Shephard.

Britain in brief

Bank to offer low-cost cash transfer

Tipa-Net, a low-cost method of transferring money between European countries, is being introduced by Co-operative Bank in the UK and other European co-operative banks.

The service comes in response to calls from Sir Leon Brittan, EC competition commissioner, and the European Commission for cheaper and easier methods of cross-border payment. It will cost £5 per transaction to have funds sent to France, Belgium, Germany, and Italy within four to seven working days. Canada is also included in the service which guarantees consumers that currency conversions will be made at reasonable rates.

Business customers will be able to transfer money through Tipa-Net at negotiated bulk rates well below the £5 charge.

Environment agency planned

The government is to press ahead with a "one-stop shop for environmental protection", bringing together control of air, land and water pollution, Mr Michael Howard, environment secretary, said.

An independent Environment Agency was originally proposed by the government last year, but the Queen's Speech two months ago – outlining the legislative programme after the general election – failed to mention it. Since then, the Rio Summit and the UK's accession to the presidency of the EC have given environmental matters a fresh prominence.

Parcelforce sell-off soon

Parcelforce, the loss-making parcel delivery arm of the Post Office, is to be privatised as soon as possible, said Mr Michael Heseltine, trade and industry secretary.

He emphasised there would continue to be a universal parcel service at a uniform and affordable tariff, indicating the tariff would remain a matter decided by the government.

Mr Heseltine indicated that financial support would be made available so that management and employees could put forward a bid. Other potential bidders could include rivals United Parcels Service, TNT and Securicor.

Parcelforce has the leading 34 per cent share of ordinary parcel deliveries but only 2 per cent of the premium "next day" market. Its turnover for 1991-92 was £508m and it sustained a loss of £24m.

Insurance claims rise

A rising tide of theft claims is costing insurers more than £3m a day, according to industry figures.

Both the cost and numbers of claims rose sharply in the first three months of this year, the Association of British Insurers' figures show. The ABI blames some of the increase on the recession but says that consumers are increasingly likely to cheat on their insurance policies.

In the first quarter of 1992 the cost of theft claims increased to £300.7m, 44.2 per cent more than in the same period of 1991.

Lessons learnt from fraud trial

The Serious Fraud Office would not handle the year-long Blue Arrow fraud trial the same way again, the Court of Appeal heard yesterday.

Mr Nicholas Purnell QC, who brought the prosecution for the SFO, said his original estimate that the trial would last four to six months was genuine and sincere. The first lesson to be learnt was that pre-trial hearings had to be more rigorous than was the case in Blue Arrow, he said. However, there was no risk the convictions of four City advisers of conspiracy to defraud were unsafe or unsatisfactory, he continued.

Mr Jonathan Cohen, Mr David Reed, Mr Nicholas Wells, all former County NatWest executives and Mr Martin Gibbs, a former UBS Phillips & Drew director, are appealing against their convictions for conspiracy to defraud.

Staff patterns show change

The recession has permanently changed staffing patterns in UK companies, but as the economy picks up companies are still likely to be hit by skill shortages, according to a survey of 350 companies by Reed Personnel Services.

The recession-driven changes identified include more central control over staffing, the restructuring and cross-training of a permanent core of staff and some greater use of flexible contracts. More than 80 per cent of companies said they wanted to, and would be able to, hold on to these changes.

R&D sacrificed to dividends

UK businesses are diverting cash that should be spent on research and development into dividend payments for shareholders, according the *National Economic Development Office*.

Comparing the UK with Germany, a book published by Nedo notes the main difference between the two is seen as smaller companies grow. "In the UK they typically seek a stock market quotation, in Germany they are funded by their banks", which are prepared "to forego dividends during periods of financial distress".

BCCI creditors' move fails

Creditors of the Bank of Credit and Commerce International failed in an attempt to submit evidence from the Luxembourg Monetary Institute which they argued would strengthen their attempt to reject the compensation plan negotiated between liquidators and the Abu Dhabi majority shareholders.

The Luxembourg evidence outlines a strongly-worded objection to the liquidation plan from the LMI, which had regulatory responsibility over the Luxembourg-registered BCCI Holding and BCCI SA, one of the two main banking arms.

Virgin in Heathrow row on slots

By Daniel Green

A ROW broke out yesterday between Virgin Atlantic Airways and London's Heathrow airport after Virgin cancelled the launch of its London to Johannesburg service blaming a lack of landing slots.

Mr Tim Walden, chairman of the Heathrow scheduling committee, said that Virgin's claim that the route launch was cancelled "due to a lack of slots is wholly misleading and inaccurate."

Mr Richard Branson, Virgin chairman, said that although it had been given some slots, most of them meant that the aircraft would have to take off from Johannesburg "in the early hours of the morning." He added that there were no guarantees there were any slots at all after the winter season

Cabin crew vote for strike on BA flights

By Catherine Milton, Labour Staff

BRITISH Airways services in the UK and Europe face disruption as the height of the holiday season approaches after 2,600 cabin crew voted to strike over pay cuts.

At the same time, more than 200 staff, based at Manchester and Birmingham, presented the company with writs for breaches of contract to start a claim for damages.

The TGWU general workers' union said the strike action, which is likely to include a series of one day strikes, would cause disruption to the flight plans of thousands of travellers.

British Airways said it was not expecting any disruption to services: "A ballot does not necessarily mean a strike."

Union officials will meet on Friday to decide on the precise form and timing of the action. There are no plans for a meeting with management.

The dispute is over changes to terms and conditions which the TGWU says mean staff at Manchester, Birmingham and in Scotland face cuts of £2,000 a year on an average £16,000 salary.

Next year they would receive a pay rise only if inflation was above 4 per cent. They would also lose holiday pay supplements.

A strike vote last month was set aside by the High Court because the wording on the ballot paper was illegal.

A TGWU official said: "The ball is firmly in the company's court. It will be best for British Airways and the travelling public if management will now seek to settle this dispute without further confrontation."

FT COMMENT TRAVELS THE WORLD

MANAGEMENT: MARKETING AND ADVERTISING

Nestlé is abandoning conventional ads for a subtler approach. **Guy de Jonquières reports**

Pasta and promotional sources

In every recent recession, jeremiahs have warned that advertising spending would never regain the levels of the good old days – only to be proved wrong once economic recovery arrived.

But listening to Peter Brabeck, Nestlé's chief marketing strategist and head of its food products business – source of more than half the Swiss company's SFr50.5bn (£19.3bn) sales last year – you begin to wonder whether this time, the jeremiahs could be right.

Nestlé is one of the world's biggest advertising spenders, with a SFr2bn annual budget. Unlike many US competitors, it has refused to bow to recession by sacrificing long-term brand support in favour of "below the line" activities such as retail price promotions, intended to boost short-term sales.

Yet Brabeck is deeply sceptical about relying on mass-media advertising as the main method of influencing consumer behaviour. "For me it is very clear. Advertising is out, credible communication with the consumer is in. And these are two *different things*," he says.

In his view, Nestlé is increasingly threatened by isolation from the market, and its brands imprisoned in a "ghetto" from which advertising provides no escape. The only way to break out is by finding more effective ways of forging relationships with consumers and building brand loyalty.

Brabeck's gloomy diagnosis is based on three broad developments. The first is the growing concentration of the formerly fragmented food retailing trade into fewer, bigger supermarket chains, many of which actively promote their own "private label" products in competition with manufacturers' brands.

The Buitoni family villa in Tuscany will be the central theme of its future brand image

This trend, which is particularly pronounced in Europe, has increasingly placed control over the supply chain in the hands of the retailers and enabled them to dictate terms even to their biggest suppliers. "We have been blocked out from the consumer by the trade," says Brabeck.

Secondly, the growth of new media such as satellite television is splintering the mass audience, while consumers are also becoming more resistant to advertisers' messages.

"There is no mass consumer any more, and people today don't act just because someone tells them something," says Brabeck.

"They can look at advertising and say 'this is very interesting, I like it' or 'I don't like it', but they are mentally switched off. You can treble advertising spending, but if you can't establish a credible communication link with consumers, they won't act."

Third, food manufacturers have sent the wrong signals by basing their marketing and brand strategies too narrowly on product and process technologies, such as frozen foods.

"But people today do not think in terms of frozen foods, they think in terms of concepts like Lean Cuisine, Weight Watchers and Healthy Options," says Brabeck.

"Frozen food is not important to them. Twenty years ago, it stood for technological advance, for freshness, for premium products. Today, at worst, it means something which is old and stale."

That is not to dismiss the importance of technology. As Nestlé points out, regular updating of the Nescafé formula has helped keep it the world's best-selling instant coffee and the company's most profitable product. However, consumers are not interested in how food is processed, but chiefly in taste, aroma, texture and convenience.

That message, Brabeck concedes, is only gradually being absorbed by Nestlé, where attitudes remain heavily influenced by the company's traditional preoccupation with product management and its faith in technology as a prime source of competitive advantage.

In such a large and decentralised company, change cannot simply be imposed from the centre. To speed things up, Brabeck plans to use Buitoni, the Italian pasta maker acquired by Nestlé in 1988, as a testbed for marketing innovations.

Buitoni was chosen because it was unambiguously not a "technological" brand, he says.

Rather, the name of the game is creating instant heritage. At Brabeck's suggestion, Nestlé has bought the Buitoni family villa in Tuscany, which will serve both as the Italian company's development centre and as the central theme of its future brand image.

Buitoni's packaging is being redesigned to carry a "seal of quality", featuring a painting of the villa. Once the villa is inaugurated in October, Nestlé will invite consumers to enter competitions, for which the prizes will be a week's cooking course there and a chance to participate in Buitoni's product development.

Brabeck is also creating a Buitoni "club" with its own magazine, which will carry features about Italian wine, food and holidays. "If I communicate with you about something you are interested in, my products become more part of a full package. The people I am really talking to are those who are interested in Italy," he says.

These efforts to build consumer loyalty will be buttressed with experiments with distribution channels, independent of the supermarket trade. Nestlé has already developed a prototype vending machine, designed to serve portions of hot pasta to consumers on the move.

Other innovations will include selling Buitoni products at special shopping mall boutiques and street market stalls, and promoting the brand with travelling road shows which will stage performances, designed to appeal particularly to children.

Further ahead, advances in electronic point-of-sale technology may offer fresh opportunities to forge closer links with consumers. One would be a system which would enable purchasers of Nestlé products to earn "points" and qualify for special offers by punching electronic cards into terminals installed in shops.

Nestlé concedes that all these ideas face difficult hurdles. Setting up alternatives to supermarket distribution is a costly proposition, and even if it succeeded, the company would still require the supermarkets' co-operation to achieve its ambitions.

"We want to make Buitoni a leading worldwide brand," says Brabeck. "The problem is that I don't think the trade is very interested in having a new brand created. If you look in a supermarket, you find that we are forced to concentrate more and more on very few brands. We simply have no choice."

Nonetheless, he remains convinced that in the longer term, advertising spending should decline sharply in favour of increased emphasis on point-of-sale promotion and other forms of marketing support.

"Today, the advertising-promotion split at Buitoni is perhaps 80-20," he says. "For me, it should be 50-50."

Tea for C2s on an outing to the shopping mall

Consumers are happy to stop for a bite, so long as the theme is right. **Chris Tighe explains**

In Flips Diner, a 1950s pastiche in chrome and apple green with Chevrolet advertisements on the walls, a gaggle of teenage schoolgirls are drinking Coke and coffee.

Born in the late 1970s, they find the diner glamorous and its cosy booth seating ideal for discussing boys. "They all go to diners in the films," says 15-year-old Jenni Evans.

On the other side of Monument Mall, Newcastle upon Tyne's newest retail development, Wilf Gray and his wife are drinking coffee in the Choux Shop, sitting on dark wood chairs beneath a reproduction Victorian light fitting.

Tynesiders in *their* late 50s, they are reminiscing about Tilley's tearooms, an oak-panelled, now-defunct local institution.

"Tilleys had more atmosphere but this is very nice," says Margaret Gray. Her husband agrees but frowns as they pass the Perfect Pizza bar and the Manchu Wok Chinese eaterie, also on the Mall's top floor. "Those don't appeal to me at all," he says.

Britain's 1980s boom in huge out-of-town shopping complexes and glitzy city centre malls has changed not only retailing but also the catering offered to footsore shoppers.

Old style queueing at long self-service counters, where strings of customers wanting only a cup of tea would wait inertly behind a family ordering fry-ups, has given way in many locations to food courts like Monument Mall's, offering different types of food and service in various themed units.

Assessing potential demand, designing the eating areas and operating them has become a speciality niche for Courtlands, which describes itself as the largest independent food court operator in England.

But the recession poses an acute marketing problem: how does a fast-growing company, operating solely in post-1985 shopping developments and frankly describing itself as "parasitic on retailers", defend its market share and profit margins when retailing is in the doldrums?

For Courtlands, born six years ago at the inception of the MetroCentre in Gateshead and now running more than 60 units in 13 city centre and out-of-town locations from Southampton to Newcastle, the key is demographic and market research: always important, it has become vital in a recession.

Mostly, says managing director Jonathan Gillespie, his clientele are the C1s and C2s – the lower middle and skilled working classes; they are the people who like to linger in malls and enjoy spending money, rewarding themselves with food and drink en route. They are receptive to the message: "Treat yourself".

As and Bs – the middle and upper middle classes – have more money but they are a difficult audience; educated, selective, not keen on spending and "semi-moralistic". They tend not to stay long in malls, *he says*, preferring to discover the cheapest prices and then go home to beat down their local shopkeeper, whom they then feel good about supporting.

However where As and Bs are a big enough catchment, his company slides upmarket.

At Hedge End, a Southampton superstore development with Marks and Spencer and Sainsbury, Courtlands' sandwiches become filled baguettes and it sells espresso and cappuccino to weary husbands at a little Cafe Express unit: "a lifestyle concept", enthuses Gillespie.

Pensioners – category E – are a difficult market too; on coach trips to out-of-town shopping centres, they consume little. This is bad news for Gillespie, who sees his job description as increasing shareholder value.

In the current market, he says, units are working at only 60 per cent effectiveness; he needs to attain 70 per cent or even 80 per cent.

An admirer of the Americans' grazing approach to food consumption, he wishes the British would eat meals at off-peak times; he is now working on a campaign to offer OAPs reduced price mid-afternoon fish and chips.

But mostly, although conscious of a £3 a head barrier among his customers, he shies away from price cutting; his units' pitch is quality of environment, food and service, not cheapness.

Instead he is trying to maintain spend by offering extras as special promotions, like a baked potato plus strawberries and cream for £2.75p, or children's meals for 99p: the child sprat catches the adult mackerel.

Skates on at Flips Diner

Name signs too are vital in the fight for market share. "The more obvious you make the name over the door, the easier it is for people to make purchasing decisions," says Gillespie. And decor matters; he believes people are becoming socially lazy, wanting to be entertained by their surroundings.

He is also experimenting with seating; empty expanses deter potential customers and may unnerve those who do consume, undermining attempts to build brand loyalty.

Monument Mall is the first Courtlands food court where all seating is unit specific.

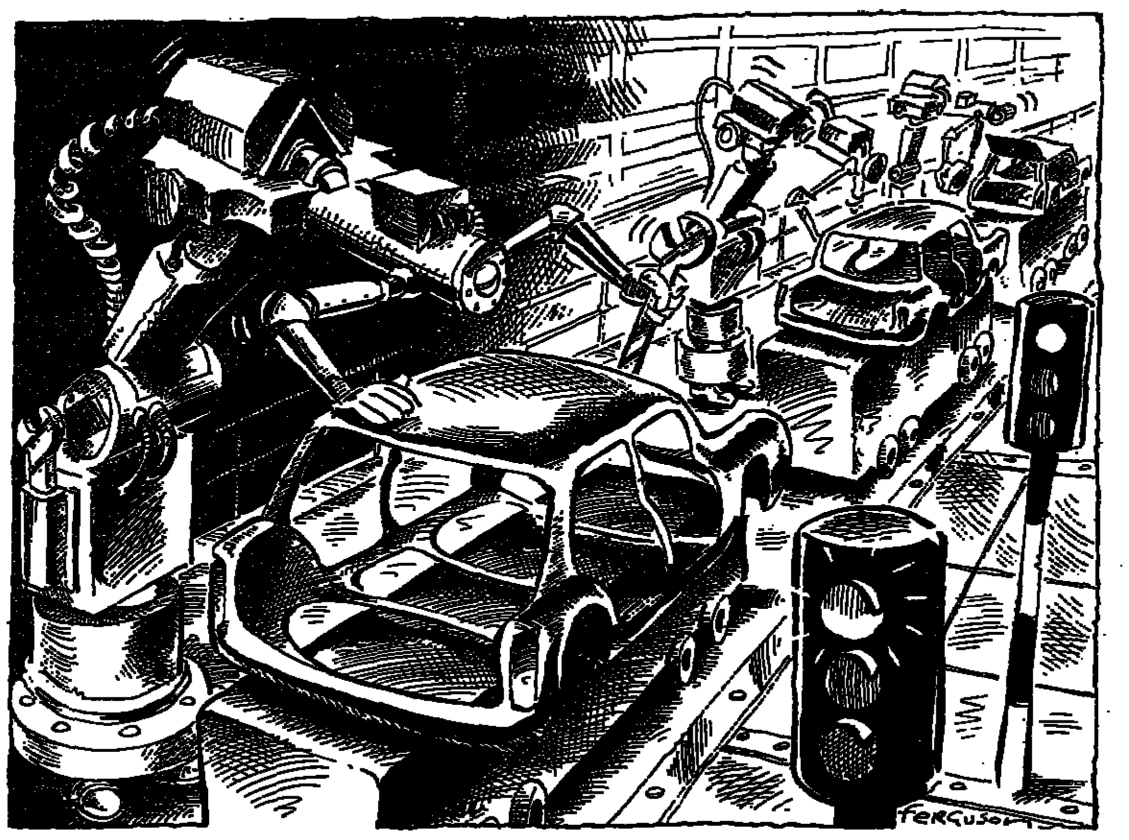
Compared with traditional cafeterias, Courtlands' range of food looks wide; but coffee, cakes and sandwiches are still the big sellers. Innovation can be risky; one customer who ordered an espresso complained, loudly, that it had come in a small cup without milk.

"Sometimes," sighs Gillespie, "you do things ahead of their aspirations."

TECHNOLOGY

As Japanese car makers strive to cut costs, priorities on the production line have changed, says **Steven Butler**

Driven back to basics



Yoshifumi Tsuji, Nissan Motor's new president, has a straightforward message to his staff: build it simple.

Tsuji wants to cut down by half the multiple varieties of parts – such as optional steering wheels – that can go into a Nissan car. He wants to use more common parts among different car models, and is even looking to bring down costs by sourcing major components jointly with rival car makers.

If the 1980s was the decade when the Japanese automobile companies dazzled the world with rapid expansion and a seemingly endless proliferation of new models, the 1990s is forcing the industry back to its engineering basics in an effort to improve profits.

Following last year's dismal financial performance, the industry has come under real pressure for the first time since 1986, when the rapid appreciation of the yen forced the companies into a round of severe cost cutting. Operating margins at Nissan Motor's parent company in Japan last year fell to 0.8 per cent, while Mazda was at 0.9 per cent and Honda at 1.8 per cent. Toyota has yet to report for the year ending in June, but is unlikely to match Honda.

The cause of poor profitability is not inefficient manufacturing *per se*. Indeed Japan's car makers are probably the most efficient in the world. Yet the weak state of automobile markets leaves the companies with little choice but to cut costs, and some companies believe that considerable scope for improvement remains.

"Efficiency was number two or three in our priorities, after reducing lead times and improving quality," says Ryuichi Tsukamoto, executive vice president at Honda Engineering, Honda's production engineering subsidiary. "Now we cannot deny the importance of efficiency, because the business is facing tough times."

An engineering solution to the car makers' problems, however, is a tall order because the companies face conflicting pressures that suggest opposite solutions. The Japanese industry must cope, for example, with a severe labour shortage, which suggests automation may be the answer. Yet automation is expensive. And increased use of industrial robots reduces flexibility on production lines at a time when rapidly changing consumer tastes require increased flexibility.

In an attempt to resolve these conflicting pressures, the companies are focusing on two related areas of the manufacturing process: final assembly and design.

The most recent trend in final assembly technology dates to a small-scale, experimental factory that Honda ran for two years at its Suzuka plant in Japan in the early 1980s. At the plant Honda introduced what it called General Assembly Trucks (Gat) to replace the traditional assembly line.

In the traditional conveyor line, pioneered by Henry Ford, vehicle chassis rode on a platform of fixed height. The platforms were spaced evenly and were linked together and pulled along by a chain. The line moved at a uniform speed, ideally never stopping, while workers installed parts and components as the vehicle moved slowly by.

Yet the old-fashioned conveyor has proved too inflexible. Cars move along at the same speed, spaced evenly regardless of how difficult they are to assemble. If one car has to be stopped because of a problem, they all stop, bringing work to a halt on the whole line. Because planned stops for the cars are impractical, automation using stationery robots is impossible.

Honda's innovation was to dispense with the link between the platforms. Instead of being pulled along by a noisy chain, Honda put the chassis on a dolly which moves under the power of its own electric motor. The motor draws power by induction from a cable beneath the floor and can also raise and lower the vehicle chassis so that workers never have to bend to install parts.

Honda's Gat also supplies a key that opens the door automation: the dollies can move at different speeds, stop precisely to allow robot installation of components, and accelerate and decelerate quickly to keep an expensive robot used to the maximum. And the entire process can be controlled by central computer, which monitors progress of each vehicle by means of an electronic sensor system on the dolly and tells the robots what is coming.

The result is a production line much more pleasant to work on and one which is much more amenable to automation. Honda concluded it was technically possible to raise the automation rate on final assembly to 30 per cent, compared with 5 per cent standard in the industry.

Honda installed the technology on one line at the Suzuka plant, on lines at East Liberty in Ohio, and will open a plant later this year in Swindon using an advanced version of the system. Honda Engineering also licensed the basic technology to Daifuku, the Japanese specialist in factory equipment. Daifuku has sold the system to both Toyota and Nissan, which have opened separate plants in the past year.

The lines are beautiful to watch, when compared with the traditional noisy and disorderly line. Nissan believes it will result in smoother operation on the final assembly line, since cars that are complex to assemble can be spaced further apart. And if a problem arises, only one car need be stopped, allowing it to catch up later.

Yet whether the technology offers a true solution for the industry's problems is another question. For one, the line costs between two and three times as much to install as a traditional conveyor system, yet by itself does not contribute anything to raising productivity.

The improvement in productivity only comes after additional spending on robots. When Honda installed its Suzuka line in 1989, it lifted the level of automation to 18 per cent. Tsukamoto says this raised labour productivity on the line by between 15 to 17 per cent. But Honda has shelved a plan to install more robots on the line to raise the automation ratio to 30 per cent. It is too expensive.

Tsukamoto says that to replace one worker with machinery can cost between Y10m (£42,000) and Y80m, depending on the process. Honda is willing to spend the money when it relieves a particularly onerous manual task, or when the investment results in a large improvement in quality.

One area where Honda has not skimped is on machinery for automated, simultaneous installation of car suspension and engines. By mounting and fastening all bolts simultaneously, Tsukamoto says, a more precise fit is obtained, allowing for improved handling and ride. Simultaneous bolt fastening prevents the accumulation of minor alignment errors.

The robots also provide rapid feedback. If a single bolt hole is misaligned, the machines quit. On a traditional line, a slightly misaligned bolt hole will rarely slow down a worker, who will put the thing together anyway. The worker will still have to intervene on Honda's automated line when holes do not match, but because the robots detect quality problems instantly, the source can be traced immediately and corrected.

Honda's Gat system offers the potential to save labour, improve quality and increase flexibility. Whether this potential can be exploited to the financial benefit of the car makers, however, depends very much on other links in the engineering chain.

A further article on engineering for flexibility will appear shortly.

Mainframes keep up the pace

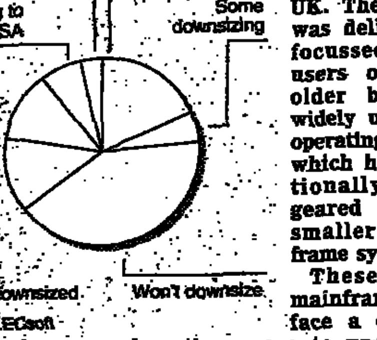
By Louise Kehoe

Downsizing – the shift from proprietary mainframe computers to client-server distributed systems – has become *de rigueur* in the computer world. The trend, driven by the development of high-performance desktop computers and the growing popularity of "open systems" software, is used to justify dire predictions of the "death of the mainframe" and the impending downfall of International Business Machines.

Putting the downsizing trend in perspective, a report published this week by ECsoft, a European software and services group, suggests that downsizing, although widespread, is not the overwhelming trend that many had believed.

Some 85 per cent of IBM mainframe computer users in the UK surveyed by ECsoft have already downsized or plan to do so. Another 41 per cent said, however, that they have no plans to downsize.

UK downsizing trends 1992



Source: ECsoft

The survey also confirms the shift away from proprietary systems, towards so-called "open systems" which theoretically give users the option of purchasing compatible hardware from several different suppliers. Again, however, the trend is more moderate than advocates of open systems have claimed.

Neither does downsizing necessarily mean that mainframe computers are replaced. In most cases the old mainframe is incorporated in new distributed systems.

Mainframes still have several advantages compared with minicomputers, workstations or personal computer networks. "The commercial robustness isn't there," in open systems, Steve Coussins, UK managing director of ECsoft, suggests. Also inhibiting the open systems trend is the shortage of data processing managers experienced in the use of open systems.

Still the lower prices of open systems are a big draw. Asked to explain their decisions to downsize or move to open systems, most respondents cited changes within their organisation – mergers, acquisitions or the arrival of a new manager – that triggered a review of existing information systems.

"There has also been a shift of power in information technology from the data processing centre manager to the end user community. Departmental managers now have their own IT budget," says Coussins.

The new holders of the IT purse strings have no loyalties to IBM or other established computer suppliers and are more likely to explore alternatives, he explains.

Among survey respondents who said they have or will downsize, one third are planning to use open systems, another third have downsized to IBM's mid-range AS400 computers, while a surprising 13 per cent switched to other proprietary systems.

The researchers talked to more than 200 or approximately 20 per cent, of IBM mainframe computer users in the UK. The sample was deliberately focussed upon users of IBM's older but still widely used VSE operating system, which has traditionally been geared towards smaller mainframe systems.

These VSE mainframe users face a dilemma when they come to upgrade or expand their computer systems. They must either undertake a costly conversion to a new operating system or make a break from the traditional mainframe and become part of the "downsizing" trend.

Not surprisingly, the rate of downsizing among these users is higher than average. Indeed, the survey reveals that users of VSE are twice as likely to switch to new types of systems as users of newer IBM mainframe operating systems.

The survey results are hardly good news for IBM since they confirm that a substantial number of its traditionally loyal customers are turning to competitors' equipment. However, those who have labeled the mainframe an endangered species clearly have a long time to wait for its extinction.

FT LAW REPORTS

Deposits are protected

THE DEPOSITORS' PROTECTION FUND v DALIA AND ANOTHER
Chancery Division:
Sir Donald Nicholls, Vice-Chancellor:
July 3 1992

AN ASSIGNMENT of whole or part of a deposit in an authorised bank, made before presentation of a petition for its winding-up or before July 30 1991, entitles the assignee to be treated as the depositor of the assigned sum for the purpose of claiming compensation under the statutory deposit protection scheme.

The Vice-Chancellor so held when giving judgment for the defendants on a claim for a declaration by the Depositors Protection Fund, against Mrs Varsha Dalia representing the assignees of deposits in the Bank of Credit and Commerce SA (BCCI), and Barclays Bank plc representing the authorised institutions who contributed to the fund.

THE VICE-CHANCELLOR said that to alleviate hardship when a bank became insolvent the Banking Act 1979 set up the deposit protection fund.

Money from the fund was payable to depositors on the insolvency of a recognised bank or institution. A depositor was paid three-quarters of his deposit, limited to £10,000.

The fund was continued under the Banking Act 1987. The maximum amount of a protected deposit was increased to £20,000.

BCCI was an authorised institution. On July 5 1991 the Bank of England presented a petition that it be wound up on the ground *inter alia* that it was insolvent. Provisional liquidators were appointed and BCCI ceased trading in the UK.

A firm of accountants wrote to BCCI depositors telling them of a scheme by which a depositor should assign part of his deposit to family members or close friends who could be trusted. Each assignee could look to the fund for maximum compensation payable.

Depositors were urged to hurry "for you only have until July 29". That was because the winding-up petition was due to come before the court again on July 30.

Some 50 depositors or more signed transfers in July in respect of sums totalling several million pounds. There were over 200 assignees.

The scheme was quickly stopped in its tracks.

On July 30 the Banking Act 1987 (Meaning of Deposit) Order 1991 was made.

It provided that in future the definition of "deposit" in the Act excluded a sum to which a person became entitled otherwise than by operation of law, after presentation of a winding-up petition.

The question was whether the assignments had their intended effect for compensation purposes.

The deposit protection scheme was regulated by Part 2 of the 1987 Act.

Section 58 of the Act provided for payment of compensation. Subsection (1) provided that if an authorised institution became insolvent, or was subject to an administration order, the fund should pay "each depositor who had a protected deposit ... three-quarters of his protected deposit".

The Act contained no definition of "depositor". It naturally read as meaning the person who made the deposit. To qualify for compensation the deposit made by him must be a "protected deposit".

Section 59 defined when a company became insolvent for the purposes of section 58. Under 59(1)(a) the relevant event in a winding-up case was the making of the winding-up order, not presentation of the petition.

Section 60 defined "protected deposit" as referring to the institution's total liability to the depositor "immediately before" it became insolvent or the administration order was made, limited to £20,000.

The assumption made by the section 60 wording was that the depositor who made the deposit would be the same person as the depositor to whom a compensation payment was to be made.

Section 61 addressed the problem of trusts by modifying sections 58 and 60 in certain cases.

Two important points were discernible in its provisions.

First, one thread running through them was that where A was the person who made the deposit but B was the person beneficially entitled to the deposit, B was the material person for the purposes of the protection scheme.

Second, section 61 was concerned with the beneficial interests existing when a payment fell to be made. There was nothing in the section to suggest that the trust provisions applied only if the trust existed at the time the deposit was made.

Where A assigned the whole of his interest to B in a deposit, in writing and with written notice to the bank under section 136 of the Law of Property Act 1925, he made a statutory assignment and the person to whom compensation was payable under section 58 was B. The expression "depositor" was apt to embrace him as A's assignee, and the "protected deposit" was the bank's liability to him in respect of the UK deposit to which he was entitled.

To confine "depositor" in all circumstances to the person who made the deposit would be inconsistent with the object of section 61.

The natural meaning must give way to the extent necessary to enable the Act's underlying purpose to be achieved.

It was inconceivable that Parliament intended that an assignee of the whole deposit under a statutory assignment should be in a worse position than the beneficiary under a declaration of trust. In each case the entire beneficial interest in the deposit belonged to B to the exclusion of A who made the deposit.

The essential purpose was to pay compensation to those entitled to deposits in an insolvent bank.

If the original depositor had assigned his interest, achievement of the legislative purpose required the assignee to be the person entitled to compensation.

That was necessarily implicit in the legislative scheme, and section 58 must be so read and understood.

Where part only of a deposit had been assigned it could not be a statutory assignment, but was equitable only.

For compensation purposes the position was the same as with regard to a statutory assignee. There was no reason in principle why, for the purposes of the deposit protection scheme, an assignee of part of a deposit should be treated any differently from an assignee of the whole.

In the present case the assignors had declared themselves trustees of the assigned parts of the deposits if BCCI was unable to designate separate deposit accounts in assignee's names.

There was no reason why equitable assignments with that fall-back declaration of trust should be treated differently for compensation purposes than if, in place of assignments, there had been simple declarations of trusts.

The 1991 Order provided that "deposit" excluded any sum to which a person became entitled "after a petition is presented for the winding-up of the institution, or in the case of an institution in respect of which such a petition has been presented before ... this Order comes into force, July 30 1991".

The Order excluded an entitlement arising otherwise than by operation of law, after presentation of a winding-up petition.

It deliberately left untouched a deposit to which a person became entitled pre-presentation of a winding-up petition.

The inevitable conclusion was that pre-petition assignments were not intended to be outlawed. The Order was content that pre-petition assignees should still qualify for compensation.

The Order applied to interests arising under assignments and under trusts. Both were stuck down if entitlement arose after presentation of a winding-up petition.

In both cases they were left untouched for compensation purposes if entitlement arose pre-petition.

For the purposes of Part 2 of the 1987 Act an assignee of part of a deposit was to be treated as entitled to the assigned part and as having made a deposit equal to that part.

For the fund: John Jarvis QC and Jonathan Nash (Clifford Chance).

For Mrs Dalia: Philip Sales (Ashurst Morris Crisp).

For Barclays Bank: Michael Brindle QC and Bankim Thanki (Lovell White Durrant).

Rachel Davies

Barrister

PEOPLE

Kenneth Baker joins Hanson board

Kenneth Baker, the former Conservative Home Secretary, has been slower than some of his ex-Cabinet colleagues to pick up new interests now that he is free from ministerial office. However, he has made up for the delay with his first appointment, a non-executive directorship of Hanson, Britain's ninth biggest company.

Lord Hanson, who has better political contacts with the Conservative party than have many big businessmen, yesterday said he was delighted that Baker, 57, had agreed to join his board. Over the past year Hanson has been under pressure to strengthen its team of non-executive directors and Baker's appointment fills an obvious gap on a board which is dominated by executive directors and businessmen.

Baker, who entered Parliament in 1968 and remains MP for the Mole Valley, has held a wide variety of ministerial posts; the Guardian once dubbed him the government's "smoothest operator". Between 1981 and 1984 he was minister of state at the Department of Industry. He then moved to the Department of Environment as minister for local government, and in May 1986 was appointed secretary of state for education and science. In July 1989 he was made chairman of the Conservative party but retained his Cabinet seat. He decided to leave the government after the 1992 election.

He said yesterday that Hanson is "one of the most successful and well-managed companies in the world" and he was "very pleased" to have been asked to join its board.

■ **John Brewer**, head of human resources, has been appointed a director of CIBA-GEIGY's UK company.

■ **Paul Nicholson** is splitting the roles of chairman and md at VAUX GROUP; he remains executive chairman and has appointed Peter Catesby, deputy chairman, and Frank Nicholson as joint mds.

■ **Peter Chambré**, formerly chief operating officer of Cope Allmann, has been appointed chief executive of CARADON's bathroom and plastics division. Juergen Freund, formerly chief executive of RJ Reynolds' German operations, has been appointed chief executive of Caradon Heating.

■ **Jenifer Rosenberg**, director and founder of J&J which was last month acquired by CLAREMONT GARMENTS (HOLDINGS), itself demerged from Alexon last year, has been appointed to Claremont's board.

Bodies politic

■ **Brian Harris** (above left), chairman of Richard Ellis, has been elected president of the LONDON CHAMBER OF COMMERCE AND INDUSTRY.

■ **Graham Robson** (above right), chief executive of Spillers Foods, has been appointed president of the INCORPORATED SOCIETY OF BRITISH ADVERTISERS.

■ **Ian Harris**, chairman and chief executive of the Bonas Machine Company, has been appointed chairman of the BRITISH TEXTILE MACHINERY ASSOCIATION.

■ **Phillipa Burrow** has been appointed chairman of the BRITISH ASSOCIATION OF INDUSTRIAL EDITORS.

■ **Sir Hugh Bidwell**, a former Lord Mayor of London, has been appointed chairman of the London Tourist Board.

■ **Allan McDougall**, md of MF Kent Services, has been elected president of the HEATING AND VENTILATING CONTRACTORS' ASSOCIATION.

■ **Michael Brent**, chairman and md of Trimite, has been elected president of the PAINTMAKERS ASSOCIATION OF GREAT BRITAIN.

Insurance moves

■ **John Allison**, until recently a marketing consultant, is joining The LIFE ASSOCIATION OF SCOTLAND, a subsidiary of Internationale Nederlanden Group, as general manager (marketing).

■ **John Fairbanks** is taking up the newly created post of sales promotion director at SUN LIFE OF CANADA; he returns to the company after spending the past five years as a consultant working mostly with Swiss Reinsurance (UK).

■ **Ernst Schneebeli** is appointed chairman and Jeremy Hills company secretary of SWISS PIONEER LIFE; Adolf Scheiwiller becomes a director of Swiss Pioneer Life and of Swiss Life (UK).

■ **Donald Payne** has been appointed a director of WILLIS CORROON GROUP.

■ **Douglas Burgess, Nick Edwards and William Murphy** have been appointed directors of the ENGLISH & AMERICAN UNDERWRITING AGENCY.

■ **Roy Elms** has been appointed deputy chairman of ROYAL UK.

Viscountess Cobham, who has first-hand experience of restoring the family seat, has been hired as special adviser on heritage and tourism for David Mellor's new Department of National Heritage.

Lady Cobham was a member of the English Tourist Board and a commissioner of English Heritage and of the Countryside Commission. She is on the Historic Royal Palaces Advisory Group, the British Tourist Authority's British Heritage Committee and the Historic Houses Association's Executive Council.

Lady Cobham has lived at Hagley Hall (left), the family's Grade I English Palladian house in the west midlands, since 1974 when she married the 11th viscount. During this time she has supervised the structural and decorative renovation of the property and organised the opening of the house to the public. Her work at Hagley was recognised by an award from the British Tourist Authority.

Australian Ballet

Clement Crisp

THE Australian Ballet's third programme is a triple bill which pays debts and makes an investment for the future. Two of the pieces – Ninette de Valois' *Checkmate* and Antony Tudor's *Gala Performance* – tell of formative influences behind the company itself.

The national ballet which *Dame Ninette established in* Britain is the example that guided the making of Australia's troupe (which this season, more than ever before, speaks with an independent and assured voice).

Peggy van Praagh, the founder of the Australian Ballet, was one of the group of "Tudor dancers" which sustained that subtle creator in his London years, and it was she who first played the role of the French ballerina in his acid commentary upon stellar temperament.

The third piece, *Of Blessed Memory*, is the work of a new talent arisen within the troupe – Stanton Welch, in his early twenties and son of two former stars of the company, Marilyn Jones and Garth Welch.

Of Blessed Memory reveals an eager gift for movement. It concerns the child's debt to its mother, couched in plotless but emotionally specific terms.

At the ballet's centre Mr Welch has cast his mother, radiant as we recall her from her days as the company's leading ballerina, and now discreetly and lovingly shown as life-giver and watchful presence. Around her the choreography surges along the melodic paths of Canteloube's *Chants d'Auvergne* (excellently sung by Joanna Cole).

It is music that can be cloyingly sweet, and sweetly coy, and Mr Welch, for all his bright skill, cannot surmount every pitfall of his score. Because he is musically alert, he tends at moments to "mickey-mouse" in matching step for note, and the most wincingly roguish song leads him into the shallows of cuteness – the number could with advantage be cut.

But he writes fluently; steps and ideas pouring from him (many of them good), so that we know the sincerity of his inspiration and of his creative drive.

He is rewarded with excellent performances from a large cast – notably from Miranda Coney, Steven Heathcote, Justine Summers, Nicole Rhodes, Campbell Mackenzie. There is handsome design – evocative of the outback – from Kristian Frederikson.

The staging of *Checkmate* is scrupulous. The McKnight Kauffer designs have lost nothing of their theatrical power (or their Art Deco distinction). The choreography has been carefully set, and with what emotional clarity does the drama unfold: after all the years, all the performances, the inevitability of the black pieces' triumph still grips.

The Australian cast was admirable in intention, and technically fine – Greg Horsman the Red Knight; Lisa Pavane the Black Queen – but oddly light in physical tone. De Valois' choreography needs weight – there is an earthy, folk-dance directness to some of the steps – and slightly less brisk tempi, that will allow movement and gesture to be more fully realised.

About *Gala Performance* there are two schools of thought: Antony Tudor's, who conceived the piece as a satire, but not as a romp, and that of most interpreters, who see the piece as on occasion for unbridled romping with the satiric bite of *Carry On Dancing*.

Three ballerinas (from Moscow, Milan and Paris) battle for precedence and applause at a gala. The more implacable their manoeuvres, the better the interpretation, and the truer to life: the annals of ballet gossip are rich in incidents no wilder or egomaniacal than those in this display of sacred monsters.

The Australian production (with a set unnecessarily garish) has caught something of the right style. Lisa Pavane stalked the stage in icy majesty as the Milanese divinity, and Justine Miles was oh-so-deliciously Parisian, but Sian Stokes' Muscovite was a knock-about grotesque – and comedy is too serious a business to be made fun of.

Gala Performance inevitably suffers in a large theatre – it was made for an intimate stage with intimate by-play. A sea-change into opera-house farce denies its humour, though it would be fun to see it danced by some of today's more awful stars, whose mannerisms are no less ludicrous than those Tudor first sent up in 1938.

The Australian Ballet continues at the London Coliseum (071) 836 3161 with varied programming until July 18. Sponsors include Australian National Line and Qantas.

Cinema/ Nigel Andrews

Silly season full of sound and fury

MY COUSIN VINNY (15)
Jonathan Lynn

DAKOTA ROAD
Nick Ward

BELLE DE JOUR (18)
Luis Bunuel

THE cinema-going scene in Britain now resembles one of those hi-tech television weather maps. Swirling across the Atlantic is an airborne army of thunderclouds, lightning forks and jiggling white arrows, signalling that the full force of Hollywood's sequel season will soon reach the UK. Meanwhile, like a smaller army of Ian McCaskills, British film critics pipe out warnings as the weather and TV graphics run riot.

Britain is a sitting target for this treatment. Each summer its cinema exhibition business curls up into a catatonic ball, convinced that most filmgoers not on holiday abroad will be attached to their Wimbledon/ test cricket audiovisual drip feeds. What price a fair-to-good film at their local cinema?

Ergo: summer audiences must be given either rescued-from-the-shelf rubbish which would not make money even in a good film-going season, or overblown American sequels that cannot be resisted, at least by addicts, even in a bad film-going season.

The logic is impeccable; the situation is nightmarish. And not just for a British film industry rejoicing in two meagre openings this month: one a cartoon about a frog working for British Intelligence (sic), the other a two-year-old arthouse misfire (see below). No, we are in nightmare territory because the conclusion has been reached by the film world's marketing brains that in adverse circumstances you cannot woo the public, you can only mug it.

Movies large of spectacle and empty of content are the most potent weapon. They are light enough to lift up in the air, yet hard enough to concuss the audience when brought down on its head.

Sequelitis is an essential component of this campaign. In high summer, few filmgoers have the energy to meet new characters or adjust to new plot ideas. They yearn only for the ritualistic and ongoing, cinema's equivalent of Wimbledon or test cricket. Hence the umpteenth return of the caped crusader, of Mel Gibson and Danny Glover in lethal harness, of Sigourney Weaver in space battling Old Saliva Jaws.

It would be an act of Canute-like futility to sit on the shores of Britain ordering Hollywood's sequel-hurricanes to go home. Better to welcome them in and allow them to flood cinemas up to the expected box-office high water mark; then we may drain off what conclusions we can at summer's end.

The most likely conclusions – I have already prepared two in anticipation – are as follows.

The first is in three parts and has been formulated for those who believe in government intervention in cinema. A swingeing tax should be placed on all imported feature films, especially from America, so that the extra revenue can be ploughed into British film production. All summer holidays abroad should be cancelled or "earned" in advance by a visit to 10 British cinemas in the week before departure. And major TV sport-watching should be hived off, as it soon will be anyway, to the satellite channels, where it will be watched only by the small if growing minority of persons willing to attach large saucers to their houses. This will free the remaining population to go to the movies.

On the other hand, there are those like me who do not believe in government intervention. Our conclusion, also in three parts, is as follows. The British cinema should start to make good films again. The British cinema should stop sitting around waiting for the government and other bodies to pick it up off the floor. And the British cinema should remember that it once could – yes, it really could – make originals and sequel sagas all its own that struck gold at the box office.

Remember the Bonds? The Carry Ons? The Hammer horrors? If we are going to be mugged by the movie business every summer – that now seems unavoidable – let us at least return to being mugged by our own movies. Who knows: in such profitable assaults on audiences whose resistance is lowered by the heat and holiday season might lie, at last, our industry's commercial salvation.

Marisa Tomei and Joe Pesci create courtroom mayhem while Fred Gwynne (centre) looks on in My Cousin Vinny

In *My Cousin Vinny*, half an idea for a film is searching earnestly for the other half. The half already in place concerns a fledgling Italian-American lawyer (Joe Pesci) who is summoned from Brooklyn to the Deep South to rescue a young cousin (Ralph Macchio) from an erroneous murder charge.

Pesci sports a black wig and what I judge to be an emergency face-lift. His upper cheeks are pulled back so far that he resembles something out of *The Mikado*. When he opens his mouth, we are astonished that he does not say things like "Ah so, murder charge, velly mistaken." Instead Pesci talks like someone out of *Goodfellas*, which of course he is, and brings a touch of Cosa Nostra to the land of cotton.

There are long passages of the film when even this limited joke runs out. During these, we must make do with minor pleasures like the scenery, the Southern accents and Fred Gwynne's mournfully cantankerous old judge, who seems to have stepped out of a Charles Addams cartoon and then found himself wishing he could step back in.

But the bits and pieces never quite add up. Somewhere during this film's making I suspect that half the script was mysteriously lost down a street grating, leaving British director Jonathan Lynn, late of *Nuns On The Run*, to vamp like hell somewhere south-west of Savannah.

Nick Ward's *Dakota Road* is funnier than *My Cousin Vinny*, though it is not meant to be. Since it is a low-budget British film co-funded by Channel Four, it has been treated with inordinate respect by magazines like Time Out ("painterly eye... sympathetic performances... subtle body language") and was even sat through with undue politeness by my colleagues at the Press show.

This is as bad a film as I have ever seen. If Ingmar Bergman had been hired to script *The Archers* using only a Swedish-English phrasebook, he might have produced this crackpot pastoral about life, death, sex, God and pollution somewhere in the fenlands. Alan Howard creases a pained face as the local squire, while a supporting cast of unknowns wrestle with the portentous script.

As if the dead fishes surveyed by the disillusioned local priest were not enough (fishes? Christian symbol? get it?), we have the sexually distraught young signalman manfully erecting his signal, the shame-ridden farmer's wife polishing her tile floors like a Lady Macbeth of the fens, and the incestuous, daughter-fancying, suicidally inclined farmer himself, who is forever polishing his shoes. No doubt he is hoping to go on a long, long journey.

In the work of Luis Bunuel, symbolism is seldom allowed to lie around crudely exposed. It is either whisked on and off like a conjuror's rabbit or is elevated into fetishism. See *Belle De Jour*, made in 1967 and revived this week. Surgeon's wife Catherine Deneuve embarks on her own brand of adult education course when she signs on for day work at a chic brothel.

Soon it is open season for sexual fantasy – her own and her clients – and Bunuel adds to the subversiveness by filming the surreal as if it is real. Seeing human nature turned inside out as coolly as this is as shocking as discovering your favourite maiden aunt shooting up with heroin. See, learn, gasp and wonder.

The Dybbuk

David Murray

Alastair Muir

John Shrapnel plays the part of exorcising rabbi 'Reb' Azriel with huge gusto

BETWEEN the wars, Solomon Anski's play was a staple of Yiddish theatre everywhere. Anski (1863-1920) was Byelorussian, a political radical and a devoted ethnographer of Ukrainian Jewry.

The Dybbuk is an extraordinary play, and Katie Mitchell's production for the Royal Shakespeare Company gives it the works – in the best, most serious sense, and also in a long-sighted new way.

The bare bones of the Chassidic tale Anski used as his basis might seem only a superstitious folk-legend, with a sentimental-mystical twist.

There is far more in his overflowing play, and it founds the sense of the story far deeper – but the details are densely, opaquely ethnic: a modern director, even in Yiddish theatre, might scarcely know what to do with it.

Miss Mitchell has known exactly what to do with it. She has induced a fine translator (Mira Rafalowicz) to make her fourth adaptation of the text; she has taken a scholarly team to do fieldwork among Jews in the Ukraine.

She recreates a whole, devout community in The Pit, with the right songs and dances and a cast fervently drilled in their bursts of Yiddish and Hebrew (justified by their rhetorical force, incantatory or commanding or folk-pithy).

Above all, she plants the central lovers' mystical rebellion against Torah law firmly within that tradition and that community, and allows neither side to "win".

A Dybbuk is the soul of one whose life has been cut off prematurely and incomplete, and seeks a temporising refuge in the body of another.

Here, a poor Yeshiva scholar (Charles Daish) who loves Leye, a rich man's daughter, is rejected by her father in favour of a wealthier husband; unhinged, he falls to cabbalistic fancies and starves himself to death.

At the moment of Leye's eventual wedding, she becomes possessed by him as a Dybbuk. The rest of the play is concerned with her ritual exorcism by the great "Reb" (Rabbi) Azriel – incarnated with huge gusto by John Shrapnel – and its outcome.

Superstition has nothing to do with it. The burning theme of the play is how the dead interpenetrate the world of the living (as of course they do among us all, most comprehensively), at every level from spiritual to quotidian and pragmatic.

Among the people whom Anski depicts with such faithful insight, that is poignantly understood; the message emerges from their culture with special clarity. It emerges in this production with humane power. Timely, too – but you can draw your own morals.

As shy, obedient Leye, Joanne Pearce is faultless; and later, we cannot doubt while the play proceeds that she *is* possessed by the Dybbuk. It is a wrenching performance, and superb, though one cannot help but fear for her health over the five-month run.

Among all the excellent players, Peter Needham lends the father dignity and subtlety, and Rob Edwards creates a lofty, uncanny presence for the Messenger, a vital go-between for matters of the highest import.

Altogether the play transmits a kind of wisdom; nothing in it that seems quaint or picturesque is mere surface, but subserves its real, sober vision.

The Pit, Barbican Centre (071) 638 8891. In repertory until 28 November

INTERNATIONAL ARTS GUIDE

BERLIN

CONCERTS

Jose Carreras gives an open-air concert tonight at the **Gendarmenmarkt**, with the Seville Philharmonic Orchestra conducted by Vjekoslav Sutej.

Sat: Berlin Radio Orchestra plays Viennese operetta favourites (West Berlin 238 5550).

Sat at **Malfeld:** Edward Heath conducts the Lithuanian National Symphony Orchestra, with Justus Frantz piano soloist. Mon, Tues, Wed at **Waldbühne:** Dire Straits, plus Was Not Was (West Berlin 301 9999).

THEATRE

● The Blue Angel runs daily except Mon till Sep 6 at **Theater des Westens**, with Ute Lemper and Eva Mattes alternating as Lola, the night club singer who captivates Professor Raat (West Berlin 3190 3193)

● An open-air production of Shakespeare's A Midsummer Night's Dream opens tomorrow at **Freilichtbühne an der Zitadelle** *(West Berlin 331 6920)*

● Theaterkasse im Europa-Center has an information and ticket service for Berlin entertainments (Tauentzienstrasse 9, West Berlin 261 7051)

BUDAPEST

State Opera The repertory includes Don Giovanni (tonight and Sat; also next Wed and Sun), *Madama Butterfly (tomorrow,* also next Tues and Sat) and a double bill of Bartok stage works (Sun and Mon). Performances begin at 20.00.

Margaret Island There are open-air performances of Il trovatore at 20.30 on Sun, Tues and next Fri.

Pest Concert Hall Operetta concerts every Tues, Thurs and Sat throughout the summer, plus opera concerts with the Lehar Orchestra every Wed *and Fri.* Performances begin at 20.30 (Vigado ter 2)

Merlin Theatre Stalin and Other Voices: two one-act comic operas sung in English. Tonight, tomorrow, Sat and Sun at 20.00 (Gerloczy u 4)

Round Theatre The Servant Girl, Italian renaissance comedy by Giambattista della Porta. Tonight and Mon at 19.30 (Varosligeti krt)

Hilton Hotel Tonight's performance is a folklore show by the Budapest Dance Ensemble. Sat: Tomkins Vocal Ensemble. Sun: American pianist Leonid Kuzmin. Tues: Orient *Dixieland Band. Wed: Albinoni* and Mozart concert (Hess Andras ter 1-3, in Dominican Court)

● Pre-booking for concerts at the National Philharmonic Booking Office *(Vorosmarty ter* 1) and for opera at the Central Theatre Booking Office (Andrassy ut 18), also at theatre box offices.

FRANKFURT

JAZZ IM PALMENGARTEN

Open-air jazz concerts are given every second Thursday *throughout the summer in the* **Palmengarten.** Tonight at 19.30: New York pianist Geri Allen and her quartet. The next concert is on July 30.

LONDON

THEATRE

● *Shades: Simon Callow directs* Sharman MacDonald's humorous new play about claustrophobic family tensions. Pauline Collins stars as the widow trying to balance conflicting demands from her son, mother and boyfriend. Now previewing after a short regional tour. Press night next Thurs (Albery 071-867 1111).

● Columbus and the Discovery of Japan: John Caird directs Richard Nelson's new epic play for the Royal Shakespeare Company, with Jonathan Hyde as pioneer and madman. Opens next Wed **(Barbican** 071-638 8891).

● A Slip of the Tongue: John Malkovich in Dusty Hughes' play about a Czechoslovak academic's personal and political relationships with women at the time of the 1989 revolution **(Shaftesbury** 071-379 5399).

● From a Jack to a King: a new rock 'n roll version of Macbeth *from the team that produced* Return to the Forbidden Planet. Starts previewing tonight, Press night on Mon **(Ambassadors** 071-836 6111).

● *For ticket information about* all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 *Thrillers* 0836 430962

DANCE

Covent Garden 19.30 Royal Ballet mixed bill: Les Sylphides, *Ashton's A Month in the Country* and MacMillan's Elite Syncopations. Tomorrow: Rossini's Il viaggio a Reims, final performance of the Royal Opera's season. Sat: *La Fille mal gardée.* The Royal Ballet season continues till Aug 8 (071-240 1066) **Coliseum** 19.30 Australian Ballet mixed bill, including choreographies by Stanton Welch and Ninette de Valois. Tomorrow and Sat: Coppelia. July 21-Aug 1: Alvin Ailey American Dance Theater (071-240 5258)

MUSIC

Royal Festival Hall 20.00 New Orleans jazz night with Dr John, Zachary Richard, Johnny Adams and others. Tomorrow: Take 6. Sat: Gerry Mulligan Tentet. Sun: Cole Porter evening. Mon: Keith Jarrett. Tues: Brazilian pop superstar Marisa Monte. Next Fri: English National Ballet season opens with Cinderella *(071-928 8800).*

Queen Elizabeth Hall 19.45 London Chamber Orchestra plays Vivaldi's Four Seasons and works by Tippett and Elgar (071-928 8800).

Barbican 18.30 Closing concert of the Carl Flesch International Violin Competition, in which three finalists are accompanied by the Philharmonia Orchestra conducted by Andrew Litton. Tomorrow: orchestral music from the silver screen. Sat: Judith Howarth is soprano soloist in a bel canto opera night. Next week: King's Singers (071-638 8891).

MADRID

Les Grands Ballets Canadiens are appearing at the Teatro Lirico La Zarzuela during the next four nights, with a programme *including Falla's Three Cornered* Hat (429 8285). Tonight and tomorrow at **Centro Cultural Conde Duque:** English National Ballet (559 3790)

MUNICH

BIRMINGHAM AT THE GASTEIG

The arts in Birmingham are represented in a three week festival opening tonight with an Asiatic dance and music performance, an Afro-Caribbean dance programme and Simon Archer's photographic exhibition entitled Inspired Insanity. July 25 and 26: Black Voices in a programme of modern and traditional a capella music, reggae, gospel, blues and spirituals. July 30: Simon Rattle *conducts the CBSO. Aug 1-9: a* week of Birmingham films (401832).

NEW YORK

New York State Theater 20.00 Opening of 1992 City Opera season with Cav and Pag, staged by Jonathan Eaton and conducted by Steven Sloane. *Tomorrow:* La traviata. Sat afternoon: La boheme. Sat evening: Nash, Schmidt and Jones' musical 110 In The Shade (870 5570).

Metropolitan Opera 20.00 Kirov Opera production of The Queen of Spades. The Kirov season ends with performances of *Prokofiev's Fiery Angel tomorrow* and Sat (362 6000).

Avery Fisher Hall 20.00 Song recital by Olga Serra, *accompanied by Alicia de* Larrocha. Tomorrow and Sat: Jesus Lopez Cobos conducts the Mostly Mozart Festival Orchestra in a programme *including Mozart's Piano* Concerto No 18, with Garrick Ohlsson. Mon: Andre Previn and the Emerson String Quartet. Soloists in next week's orchestral concerts are Andre Watts, Rudolf Firkusny and Lynn Harrell (875 5030).

Carnegie Hall 20.00 Kurt Masur conducts the New York Philharmonic Orchestra in Tchaikovsky's First Piano Concerto (Shura Cherkassky) and Sixth Symphony (247 7800).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe *Report – weekly indepth analysis* from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
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Thursday July 16 1992

They must be stopped

WITH WHAT must seem to the victims unpardonable slowness, the international community is beginning to recognise the nature of the conflict in Bosnia-Hercegovina. A state, recognised by most other states and admitted to numerous international bodies, is being dismembered. Frontiers are being redrawn by war. Large numbers of people are being forcibly driven from their homes, with widespread killing.

Such actions would be "intolerable" at any time or place, but in many times and places they have been tolerated. A particularly clear precedent was set in Cyprus in 1974. There too a neighbouring state (Turkey) intervened to protect a minority, and used military force to secure an area for that minority's exclusive use, expelling from it all members of the majority community. There too the international community – including Britain, which had guaranteed Cyprus's territorial integrity – failed to take any effective action to halt or reverse the process. There too not everyone agreed who was aggressor and who was victim; no one was sure how to solve the problem; above all, no one wanted to get hurt.

Turkey at least waited 14 years after Cyprus's independence, until a moment when the Cyprus government had been overthrown by a coup stage-managed from Greece, before resorting to such extreme measures. The Serbs did not wait to find out what an independent Bosnia-Hercegovina would be like. They resorted to force straight away. Also, not having such an overwhelming military superiority as Turkey had, they are taking longer to achieve their aims. That has given the rest of the world more time to react. Sanctions have been imposed, if so far very ineffectively enforced.

General disorder

Turkey was a large, strategically important country in the midst of the cold war. No one wanted to alienate it. Serbia is a small country and there is no longer a cold war. Instead there is a new security order in Europe which shows every sign of degenerating into general disorder, precisely because of conflicts over frontiers and minorities. If the Serbs get away with what they are doing, there are plenty of other nations, including most ominously the Russians, who may be tempted to use the same methods to assert their claim to territory held by other states, and to "cleanse" that territory of other ethnic groups.

The instinctive aims of the international community are: to bring relief, as far as possible, to the civilian victims; to prevent the conflict from spreading; and to stop the fighting as soon as possible. Those aims are right. Something has to be done, as a matter of urgency, about the refugee problem; and western powers, notably the EC, must focus on the need to prevent the fighting spreading to Kosovo, Macedonia or Voivodina and to ensure that even if it does, neighbouring countries – Albania, Greece, Bulgaria, Hungary – stay out.

Ethnic cleansing

But "stopping the fighting" is not enough if it turns out to mean, as in Cyprus, consolidating a ceasefire only after the aggressor has secured his objectives, and then being content to urge the virtue of negotiations and concessions equally on both sides. Something more is needed to drum home the message that violence and ethnic cleansing are not an acceptable way to protect minority rights. And it is getting ever harder to avoid the conclusion that this something has to be an injection of force in some form on the side of the victims.

Outside powers are rightly reluctant to deploy ground troops, which could easily get bogged down. But naval force is already being deployed in the Adriatic – to "monitor" but not to enforce the sanctions. At the very least this force should be empowered to stop and search, and Romania (through whose territory most supplies are reaching Serbia) must be put under greater pressure to co-operate. It is time to consider the use of air power as well, if only to neutralise the unjust monopoly of air power currently enjoyed by the Serbs. It would be feasible for Nato, if so mandated by the UN Security Council, to forbid the use of Bosnian airspace to the former Yugoslav armed forces.

These are not easy decisions to take. But if they are not taken soon there may be many even more difficult ones lying in wait.

Bundesbank looks east

THE LOBBYING is done. With beaded brows and sweaty palms, the finance ministers of the industrialised world must now await the outcome of today's Bundesbank council meeting. But their increasingly desperate attempts to place the west's economic burdens on the shoulders of 18 German council members are misplaced. The Bundesbank's task remains to secure *German* price stability. That they stuck to this objective to the last is, rightly, the epitaph that the council members wish to secure.

Unification has delivered an economic shock to the German economy far greater than almost anyone predicted. In the eastern Länder, the recession has been spectacularly deep; in the west the inflationary impact has been doggedly persistent. The demand for financial resources – from the German taxpayer, the budget deficit and the banking sector – has overshot all initial projections.

The Bundesbank has, as a result, found itself in a quandary. Concerned at rising wage claims and the build-up of hoarded liquidity, it fixed a restrictive target for monetary growth in 1992. Yet, in spite of record high interest rates, the subsequent acceleration of broad money growth has made a mockery of these austere expectations.

The Bundesbank council could choose to ignore the message of its favoured monetary aggregate. As with any economic target, it is easy to find reasons why it might be distorted, particularly given the straits in which Germany finds itself. Reunification may have made the demand for money less predictable, while the demand for the D-Mark as a reserve currency in eastern Europe may have grown: the OECD's latest German survey provides a convenient list.

Dented credibility

Yet the Bundesbank will surely hesitate before abandoning its monetary target so lightly. To ignore the target when the going gets tough, however apparently justified by special circumstances, would dent the credibility of any future commitments the council might make. The Bundesbank's credibility has already been damaged enough: the section of the OECD report entitled "An intensifying cost-price spiral" will have sent a chill up every council member's spine.

It is not just credibility that is at stake. The counterparts to the rapid broad money growth reveal that the main cause of growing money supply is rapid credit creation by the German private sector. This credit growth has been hastened by the plethora of capital subsidies available for investment in the east, which reduce the cost of capital below market levels.

Higher inflation

Even an avowed anti-monetarist would concede that such a rapid rate of credit growth, outstripping the growth of either output or assets, risks feeding into higher inflation eventually. The British experience of the mid to late 1980s, when the rapid rate of credit expansion was conveniently but mistakenly ignored, sets a chilling precedent.

The logical consequence of the Bundesbank's previous commitments, and current predicament, suggest that today's Council meeting should decide to tighten monetary policy. The UK's experience also suggests that raising interest rates is a blunt way of controlling runaway credit growth. Raising reserve requirements on bank lending or direct ceilings on the availability of credit may be a better option, particularly if the Bundesbank wishes to minimise the effect on international interest rates.

If the Bundesbank council does decide it has no option but to raise interest rates, Germany's partners can hardly complain. It was their voluntary choice, after all, to link their currencies to the D-Mark in the pursuit of credibility.

So recent lobbying by the French and British finance ministers should be ignored. It suggests these countries still do not understand the art of non-inflationary central banking. They complain about what is needed to give them the stability they say they want. For the success of the ERM has been built on the willingness of the Bundesbank to keep its anti-inflationary head, while all around were losing theirs. To ask the Bundesbank to tolerate high German inflation in the interests of European co-operation makes little sense.

Doctor Subtle's twin pillars

Prof Giuliano Amato, Italy's new prime minister, explains his plans for economic and political reform to Robert Graham

Prof Giuliano Amato, Italy's new Socialist prime minister, has dumbfounded even his closest colleagues.

No postwar Italian prime minister has headed such a fragile government coalition with a mere 16-seat parliamentary majority. Yet after less than two weeks in office he has emerged as a man determined to make up for the long years in which successive governments ducked reform of an increasingly ossified political and economic system.

"We are going to change the rules," insists the 54-year-old law professor and former deputy head of the Socialist party.

Nicknamed "Dr Sottile" (Doctor Subtle) for his slight frame and formidable intellect, he signalled his intentions in last Friday's emergency budget, which went well beyond a simple financial operation. He set in motion a series of reforms to pensions, healthcare, local government spending and civil service employment, as well as a privatisation programme heralding the biggest shake-up in state ownership since Mussolini pioneered state-sponsored development in the 1930s.

Surrounded by documents in the prime minister's 17th-century Rome palace, he is aware that one of his hardest tasks is to win credibility. Italians and foreigners alike have come to regard any promise of reform from an Italian politician with the cynicism reserved for an oft-heard cry of wolf.

The prime minister was already a treasury minister in the 1980s and heads a government composed of Christian Democrats, Socialists, Social Democrats and Liberals – the very same parties who ignored the budget deficit, pension reform and electoral reform over the past three years precisely when Italy was being obliged to bring itself into line with European Community norms.

So what is different now? Prof Amato recounts a conversation he had with Chancellor Helmut Kohl of Germany at last week's Munich summit. He asked Mr Kohl if he was surprised that the same four-party coalition was in power after being battered in the April elections. Mr Kohl said that he was not, because they were the only viable majority, providing the faces were different.

"The people are different, so are the circumstances," Prof Amato says. His 24-person cabinet contains, unusually, six technicians, three of whom are directly concerned with economic and industrial reform. As for the circumstances, Italians have been warned that with an uncontrolled public-sector deficit of more than 10.5 per cent of GDP, Italy is on "the edge of an abyss".

Rather than seeing himself as tainted by involvement with previous governments – he was the key organiser for Mr Bettino Craxi, the Socialist leader, when premier from 1983-87 – Prof Amato sees this as an advantage. "People who know the system are familiar with its rules and have in mind how the system can be changed," he maintains, adding, however, that "change is never easy. Those who want change are not experts in the areas they want to change – so generally when they come on the scene it's a disaster. The experts usually don't want to change anything because the reason they are experts is because they defend the system."

He regards his government as guiding a "transition" from a corporatist state and patronage politics to Italy becoming a modern member of the EC. His strategy is two-pronged.

The first prong might be called the Me-or-Else scenario. He is introducing his budget and reforms by decree, which must be approved by parliament within 90 days. The decrees contain the broad principles of legislation, but once approved by parliament the government then has the authority to fill in the details. This avoids the interminable process of sabotage and change suffered by previous initiatives (pension reform has been under discussion for more than 10 years).

If the decrees are not approved, then Prof Amato will seek a parliamentary vote of confidence. He believes he can obtain approval by presenting the unattractive alternatives. Who could form another government? Would a disgruntled electorate support a return to the *status quo ante*? Would the heavily fragmented and internally divided parties accept new elections without prior reform of Italy's unworkable system of proportional representation? Finally, who could solve the problem of Italy's disastrous public finances?

"It is very difficult to expect another cabinet to do tomorrow what has to be done today," he says. This calculation gives him confidence, and he adds bleakly: "I don't see a great future if they [the political parties] don't understand." Perhaps because this message is sinking in, the reaction to his programme has so far been muted.

The second prong has yet to be fully appreciated by the politicians. He has told parliamentary leaders he regards institutional reform, which is also being pressed by President Oscar Luigi Scalfaro, as their prerogative. In other words, parliament must draw up plans for changes in proportional representation, direct election of mayors, new powers for the regions and even a redefinition of the prime minister's and president's roles.

However, Prof Amato has assumed responsibility for economic management and by his own definition economic reform. The thrust of these reforms would be to slim down the role of the state, increase competition and remove political interference. Thus economic reform, which is likely to come faster, could in itself precipitate political reform.

Prof Amato says his philosophy is that of "the market whenever possible, the state whenever necessary". But he is very much a pragmatic Socialist. The budget, in which he exercised considerable influence, reflects his frustrating two-year experience as treasury minister. "As treasury minister I was perfectly aware that the typical Italian budget was like a devaluation – it produces effects for a few weeks but does nothing to change fundamentals such as public expenditure."

He recalls preparing a budget for Italy's army of teachers only to discover that some 50,000 "new" staff had crept on to the payroll after the calculations had been made. "If you don't change these sorts of things, it is pointless to bother people with one budget after another." He left without being able to tackle these fundamentals. "And now we are exactly at the same point three years later."

Friday's budget seeks to find L30,000bn (£13.7bn) to hold the public sector deficit down to its original 1992 projection of about L128,000bn. The cabinet has gone for anti-inflation measures weighted towards special taxes on property and a one-off tax on bank deposits – as opposed to swingeing spending cuts. He answers criticism of avoiding such cuts by saying: "First I have to tackle the rules and principles which condition spending."

The latter cover five areas: pensions, public employment, health, decentralisation and privatisation. The current generous state pension scheme risks gobbling up the entire budget if unchecked. The pension scheme outlined in the budget envisages a gradual move to retirement at 65 for both sexes, with a combination of incentives and sanctions for those who wish to avail themselves of the current 55 years for women and 60 for men. Final benefit will also be slightly reduced.

While pension reform was widely anticipated, Prof Amato has surprised everyone by tackling other issues head on. On public employment he is determined to revitalise the civil service with greater job flexibility, new job definitions and gearing pay to productivity.

"There is no control of what our senior civil servants do . . . It is essential to introduce productivity," he says. "Experts have been saying for years that it is impossible to raise productivity in the public sector. They are right, because the way the system is organised, it is impossible. Productivity is foreign to the system."

On the national health service, he is proposing to remove political control from local health authorities, which will be given greater autonomy and the possibility of hospitals opting out, as in the UK. Until now local health authorities have had no budgetary control and have been one of the biggest sources of corruption. As a result large sums are spent to little effect.

The same considerations apply to local government at the municipal and regional level. Each year the state merely transfers funds, with no sanction for overspending. The government now proposes that municipalities will be able to raise additional property taxes (1 lira per 1,000 on a house), additional income tax (starting at 1 per cent above national rates, rising to 4 per cent by 1994), as well as increased road taxes.

The biggest immediate shake-up, however, concerns privatisation. "We have an overload of state ownership and we have to reduce it not just to pay debts, . . . and at the same time we need a better financial market. We are trying to create a system with which we can face the European financial market saying we can make deals in which you can buy," says Prof Amato.

Already the four big state entities – IRI, the main holding company; ENI, the oil concern; ENEL, the electricity authority; and INA, the insurance institute – have become joint stock companies under the treasury's tutelage as a preliminary to selling off stakes in their subsidiaries.

"I am creating a machine that will be forced towards privatisation," Prof Amato insists. "There is no capital, no financial backing in the system as it is." The two new holdings, to be created under the treasury to hold state assets worth some L60,000bn, will be attractive to investors, he believes. But their real value, in which the private sector will take a maximum 45 per cent, will be in the performance of the companies they control and intend to sell off, he claims.

Deflecting criticism that the state still harbours ambitions to be a majority shareholder, he says: "Those who understand these operations can easily see that under the two super-holdings there is a big push towards privatisation because that's the only way for the system to work."

To listen to an Italian prime minister talking in these terms is perhaps the beginning of revolution, turning the seemingly impossible into the possible: changing the Italian way. But the lack of challenge to his vision so far may be deceptive, because his changes upset so many of the country's entrenched vested interests.

BOOK REVIEW

Harry's human touch

TRUMAN
By David McCullough
Simon & Schuster, $30

Publishing magnate Henry Luce once described President Harry Truman as the *reductio ad absurdum* of the common man. Fellow snobs among the east coast establishment shared Luce's disdain for the one-time haberdasher from Independence, Missouri, dismissing him as a blunderer doomed to remain in the shadow of his towering predecessor, Franklin D Roosevelt.

Truman never quite silenced the critics. Even his upset victory over Thomas Dewey in the 1948 presidential election, when he defied the collective wisdom of the press, Wall Street and many in his own Democratic party, failed to remove doubts about his ability and judgment.

The end of the cold war, however, has induced much nostalgia in the US for the Truman years. The Marshall plan, the Nato alliance, the Berlin airlift and the Truman doctrine of "containing" Soviet power are now viewed as historic achievements. Advisers such as George Marshall, Dean Acheson and Clark Clifford now merit the status of "wise men". Truman himself appears bold, decisive and far-sighted.

David McCullough's biography, 10 years in writing, is the latest book to discover hidden virtues in plain-spoken, "give 'em hell" Harry. The president is portrayed as a courageous leader willing to take up unpopular causes: he sent the first civil rights message to Congress, desegregated the armed forces and led the world in recognising the state of Israel. It was Truman who ordered the atomic bomb dropped on Japan, who developed the H-bomb and who fired General Douglas MacArthur, a national hero, for insubordination in the Korean war, upholding the principle of civilian control over the military.

McCullough is at his best when describing Truman's Midwest roots, the Missouri of Mark Twain and Jesse James. A one-time bankrupt, Truman spent years struggling with debt. His family's financial troubles deprived him of a full education and forced him back on the farm. It was only after several disastrous business ventures that Truman concluded his future lay in politics, signing up with the powerful Pendergast machine which ruled Kansas City and later sent him, aged 50, to the US Senate. McCullough captures the man's stubborn confidence in his own ability, but also his sense of awe when he became president.

The book's chief weakness is that McCullough does not draw out the important lessons of the Truman years. Under President Truman, the US became a world power. The decline of Britain no doubt hastened America's assumption of world leadership; but it was by no means a foregone conclusion that the American public would support the activist role in foreign policy which they had earlier spurned. How Truman overcame these difficulties is a model of presidential leadership in action and a sober commentary on the drift and inaction in present day Washington.

In 1946-47, when the Soviet Union consolidated its hold over eastern Europe, Truman was still viewed as a caretaker president. In the November 1946 election, the Republicans captured majorities in the House and Senate, seemingly promising a stalemate between the executive and legislature. The political debate turned not on a prospective world leadership role for the US, but whether the new Congress would roll back the New Deal, slash military spending and foreign aid, and go back to the isolationism of the 1920s.

A lesser man would have looked at the polls and packed his bags. But Truman elected to stand for what he thought was right for the country, rather than what he thought was politically expedient. He fought for foreign aid to Greece and Turkey in the spring of 1947 and won. Months later, his administration produced the Marshall plan, which dispersed billions of dollars to aid the economic recovery in western Europe.

The Marshall plan was based not only on American largesse, but also on a hard-headed calculation that the recovery of Germany and Japan served vital US interests. Far from being an example of American imperialism, the Marshall plan grasped an essential truth: that the strongest alliances are based not on subordination (*pace* Moscow's relationship with its east European satellites) but on common democratic values and economic interdependence. This was the historic accomplishment of the Truman administration which underpins American power today, even though some of the institutions which supported the postwar liberal order such as Nato now require an overhaul.

Truman's other legacy is that he showed it was possible to be president and remain a human being. He was the warts 'n' all president who won the affection of the masses because he never lost touch with them. Today, the American public craves this authenticity. This year's presidential candidates, including Ross Perot, the rich man's version of Harry Truman, are desperately seeking to respond. Each could do a lot worse than read this book to understand what it takes to be the genuine article.

Lionel Barber

ECONOMIC VIEWPOINT

The dubious case for Mark revaluation

By Samuel Brittan

The Bundesbank has long argued that if other countries do not like the effects of German interest rate policies, they can always realign against the German D-Mark – or for that matter float downwards. For neither the ERM, nor the projected Emu, is a Bundesbank creation. But both have been – the Bundesbank protests a little too much – foisted upon it by the politicians. Indeed, at various times in the last few years, the Bundesbank has actually offered the French authorities a realignment, which the latter have adamantly refused.

The reasons why a general ERM realignment would not enable the UK to escape from present interest rate constraints have been explained dozens of times, most recently and cogently by the chancellor, Norman Lamont. These reasons apply to nearly all the hard core of Community countries, with the possible exception of Italy.

In brief it is that a devaluation would simply add to the risk premium that the market would demand for holding the non-German currencies. The extreme alternative of setting interest rates and ignoring the exchange rate – which is an exaggerated description even of Fed behaviour – would be a recipe for inflationary crisis for an ordinary European country.

Could there, however, be a unilateral German revaluation, which did not look like a devaluation by other countries, and which looked final enough for the markets not to expect further upward moves, and therefore not to increase the interest rate premia on non-German currencies?

If, say, Italy and the UK both realigned downwards without France, it would clearly be a devaluation by both the former countries. We know that this will not happen in the case of the UK so long as John Major and Norman Lamont both remain at their present posts.

The essential condition that would make a realignment into a genuine German revaluation would be one in which France participated and in which most important countries outside Germany remained linked by present parities. It is more difficult to say whether a genuine revaluation would have also to be against Germany's smaller neighbours, such as the Benelux countries, Austria, Switzerland, Denmark and Sweden. But the more of these countries that stayed with France and did not move up with the D-Mark, the more the move would look like a genuine D-Mark revaluation.

Leaving aside the practicality, is the case for D-Mark revaluation as strong as the Bundesbank and mainstream economists suppose? I have always needed to be convinced and never quite have been.

Normally high-inflation countries devalue and low-inflation countries revalue. The very fact that Germany has been losing its inflation advantage to France makes the case for revaluation a strange one. Even Britain has very much improved its competitive position against Germany in the last decade – admittedly starting from a position when sterling was much overvalued.

The conventional case for revaluation is that because of reunification, Germany has to move resources out of the export sector and into reconstruction efforts in the eastern provinces. After his recent Ditchley lecture, Dr Kurt Biedenkopf, the prime minister of Saxony, said that Germany would have to devote about 5 per cent of its GDP to reconstruction in the east.

In fact, however, Germany has largely done so, thanks to the running-down of its former balance of payments surplus. It is too often forgotten that as recently as 1989 the old Federal Republic had a payments surplus of 4.8 per cent of GDP, larger than that of Japan, and received endless lectures from the US administration for its pains. By 1991, the German current balance of payments had moved to a deficit of 1.2 per cent of GDP, and the OECD expects the deficit to remain in 1992 and 1993.

This swing of resources is a practical demonstration of the savings and investment approach to the balance of payments, which suggests that there will be a surplus if domestic investment opportunities fall short of local savings, but a deficit when such investment opportunities – in this case defined broadly to include all special expenditures in the east – run ahead of local savings.

Other countries would only benefit if the Bundesbank lowered interest rates as a result

The case for a revaluation from a German point of view is simply that it would represent a tightening of German monetary policy for any given level of interest rates – just as the upward overshooting of, first, sterling and then the dollar represented a tightening of policy for the UK and the US in the early 1980s. A revaluation would help Germany to reduce inflationary pressures more quickly. But how would other countries benefit?

The short answer is that they would only benefit if the Bundesbank regarded the appreciation of the D-Mark as a sufficient reason for maintaining a level of interest rates a couple of percentage points or more below what would otherwise be the case. The UK Treasury in the late 1980s played with the rule by which each 4 per cent appreciation of sterling was equivalent to a 1 per cent rise in base rates.

In the absence of a similar sort of rule being followed by the Bundesbank, Germany's partners would have little to gain from a revaluation. But unless all the conditions, outlined earlier in the article, were rigidly observed, they would risk losing their hard-won counter-inflationary credibility with nothing in return.

It is in no one's interest that Germany should lose its reputation for low inflation. But that should not mean a mechanistic pursuit of broad money targets for M3. The OECD attitude, if one attempts to translate its annual report on Germany out of OECD-speak, is that the Bundesbank is right to maintain high interest rates, but should not raise them further and should not take too seriously the overshooting of the official money target.

The OECD lists three plausible reasons why above-target rate of German monetary growth can be misleading.

First, reunification may have changed at least the short-run relationship between the broad version of the money supply known as M3 and the national income. Second, the canvassed introduction of a withholding tax on interest incomes may also have affected this relationship. Third, and most interesting of all, "there is evidence of increased D-Mark hoarding and the use of the Mark as a parallel currency in east European countries".

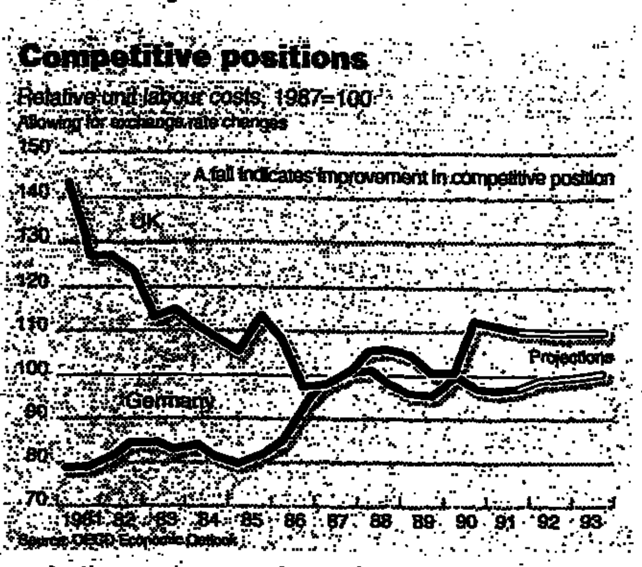
These complications are reminiscent of Britain in the early 1980s when broadly defined money also became a treacherous guide to economic conditions. The similarity extends to the argument that an interest rate increase might worsen broad money growth in the short run, as the inverted yield curve encourages investors to place long-term funds on deposit at the banks.

Later in the 1980s the UK relationship between broad money and spending improved, just as broad money targets were abandoned – giving an interesting new twist to Goodhart's Law. What is probably required in Germany is a temporary above-target rate of monetary growth, which should then be steered back to a lower rate before a British-type credit boom can prevail. The first part of this course will be followed anyway, whatever decision the Bundesbank Council makes today, as it is far too late in the year to get German money supply growth back on track.

Competitive positions

Relative unit labour costs, 1987=100

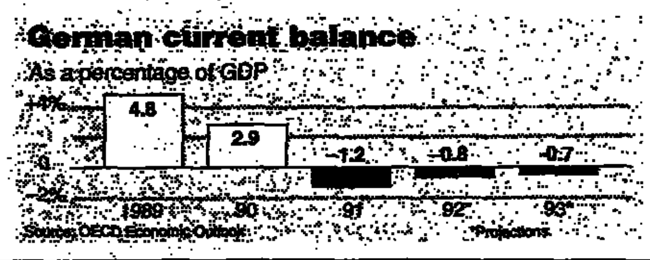
Allowing for exchange rate changes



Source: OECD Economic Outlook

German current balance

As a percentage of GDP



Source: OECD Economic Outlook *Projections

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

The fatal threat to a Euro air industry

From Mr Madron Seligman MEP.

Sir, Since the late 1970s German governments have sought to re-establish the German aero-industry, but have found difficulty in obtaining finance to develop civil aircraft.

While German withdrawal from the European Fighter Aircraft (EFA) could release the necessary finance to strengthen a German presence in civil aircraft manufacture, it could fatally wound the European aero-industry as a whole.

The US aero-industry is in a towering commercial position with public finance for aeronautical research and development at 10 times that provided by west European governments together.

The lesson of the Boeing 747, an aircraft with a monopoly in its market sector, ought not to be lost on policymakers thinking of leaving US industry with the world's last high-performance fighter aircraft. The estimated profit on each Boeing 747 is $50m! The unit price of EFA might be $18m. How much would a US fighter aircraft cost the European taxpayer in the absence of a competitive machine?

Madron Seligman,
deputy co-ordinator for energy research & technology of the Parliamentary Group of the European People's Party

UK should press for D-Mark to be revalued, says Kinnock

From Mr Neil Kinnock MP.

Sir, This morning I can write without having my words treated as formal Labour Party policy.

I do so to urge that the government takes a real lead amongst the ERM countries in pressing for an immediate revaluation of the D-Mark. If the prime minister and the chancellor of the exchequer have urged this step in their frequent meetings with their German counterparts in the last month, it has remained a rather better kept secret than usual. In any case, if they have been rebuffed they should – they must – keep on trying.

A D-Mark revaluation would reduce inflationary pressures in Germany – with complementary benefits in lower German interest rates, enhance the flow of capital into Germany required for reconstruction in the east and thereby, via higher German imports, contribute to higher output and employment throughout Europe. It would also allow other ERM countries, Britain in particular, to avoid the heavy costs which loss of credibility would impose on any unilateral devaluation.

If there are some ERM members – France might be an example – whose governments are against a D-Mark revaluation, the British government should exercise maximum influence and point out that they, too, should benefit from a revaluation as an alternative to the interest rate pressures which will inevitably persist given the combination of current exchange rates and inflationary pressures in Germany.

There are some who might argue that it would be unbecoming for the British government to try to persuade the Germans to aid the British economy and the rest of the Community by revaluation. But such an approach would be a great deal more elegant than Norman Lamont's plea to the Bundesbank not to increase interest rates. Much more important, it would be part of the package of measures which are required to lead the European Community away from stagnation, and provide Britain with an alternative to the devastating high real interest rate policy being pursued by the government.

Neil Kinnock,
House of Commons,
Westminster, SW1A 0AA

From Mr Ivo Fuchs.

Sir, It seems untenable that the UK government insists on holding the value of the pound against the D-Mark in the ERM, even if other governments forced a realignment. The only country in the ERM that is worried about inflation and high monetary growth is Germany, and the classic way to deal with the former is to revalue the currency. If Germany adopted this attitude and revalued unilaterally against all the other members of the ERM by a meaningful amount, then the current foreign holders of the D-Mark would readily accept lower interest rates having made a substantial profit by holding the D-Mark. This would not only help to relieve the recessionary tendencies we are all suffering from, but would also help Germany in its fight against inflation. Inflationary effects of its revaluation would only have a negligible effect within the UK.

Ivo Fuchs,
Braydon Hall,
Minety, nr Malmesbury,
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No time for exaggeration

From Mr Ghazi Algosaibi.

Sir, In your piece entitled "On Parade" (July 14) you mentioned that Sir Peter de la Billière has become a director of Robert Fleming, with duties to see "how can Fleming executives negotiate the maze of Saudi airport customs procedures in less than the traditional two hours". Last time, these procedures took precisely 1 hour 55 minutes. I see no reason for you to exaggerate!

Ghazi Algosaibi,
Ambassador,
Royal Embassy of Saudi Arabia, London

A catechism offered in defence of economic unorthodoxy

From Prof Ronald Dore.

Sir, How refreshing to find that attacks on economic orthodoxy can sometimes actually produce articulated outrage and not only the usual dismissive silence. But may I briefly reply to Messrs Thomsen and Wood (Letters, 13 July)?

For Mr Thomsen, a catechism. Does he really believe that:

- Nissan is "no better" than the British car manufacturers which it has displaced in Britain's domestic and export markets?
- if Britain's car and TV industries had also received what he considers was the salutary punishment for inefficiency meted out to the British motor-bike industry – namely extinction – we would rapidly have found other ways of earning enough foreign exchange to import as many cars and TVs as we now enjoy? How might our friend the invisible hand have done it? Banking services? Tweeds and whisky?
- the North American Free Trade Area and the European Single Market are so small that Japanese investors have to forego available economies of scale?
- Japanese neo-mercantilist planners were mistaken in the 1950s when they decided to protect, invest in, and build future world competitiveness in industries which (a) had higher value-added per employee, and (b) had greater world-income elasticity of demand, and (c) kept them closer to the world frontiers of technological development, than those in which they currently had comparative advantage?
- in so doing they reduced world economic welfare?

For Prof Wood: may I lend him a recent paper by a current guru, Jagdish Bagwati, chief economic adviser to the General Agreement on Tariffs and Trade. He quite explicitly bewails the failure of theory to demonstrate that when two countries' prices differ trade always brings mutual advantages, no matter why they differ.

Ronald Dore,
Centre for Economic Performance,
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OBSERVER

Going for a song

■ The ghost of Yoshi Fujiwara must be smiling contentedly through Japan's economic gloom. While the Japanese may have ceased knocking back champagne, they are still coughing up handsomely for western opera, which the tenor Fujiwara first popularised there 59 years ago.

Around 2,500 of them have paid £2,350 apiece for tickets for tours by visiting opera companies over the next four years. Britain's Royal Opera, first on stage this month with Mozart, will be followed next year by counterpart companies from Berlin, Vienna and Milan.

The Y560,000 tickets, which cover 14 operas, have sold so well that the organisers have rationed sales to leave seats for people not rich enough to attend all the performances.

The British company has already touched not just the heart- but the purse-strings of Hirotaro Higuchi, president of the tours' sponsor Asahi Breweries. Even though Asahi has not escaped unhurt from the troubles, at the Royal Opera's Tokyo party he upped and pledged a contribution to the £250m renovation scheme for Covent Garden.

His hosts were so shocked that silence reigned until his words were digested, when it gave way to spontaneous applause. Asahi officials also appear to have been surprised – it took them two days to confirm the details of their president's promise.

Final shift

■ Meanwhile executives who complain of killing work schedules will perhaps count their blessings on comparing themselves with Mitsui official Jun Ishii.

His schedule literally killed him, the Labour Standards Inspection Office has just decided in Tokyo. The ruling entitles his family to government compensation on top of £125,650 already handed out by his company.

The fact that he was a white-collar worker makes the ruling a rare one. Although about 30 Japanese a year die of what is officially recognised as overwork, or *karoshi*, they are usually all blue-collar operatives. Ishii's case is the first of its kind to be accepted in Tokyo.

He was found dead, aged 47, in a Nagoya hotel room two years ago after a week in which he'd been kept too busy to take a day off. A Russian speaker, he had been escorting four Russian clients visiting his company.

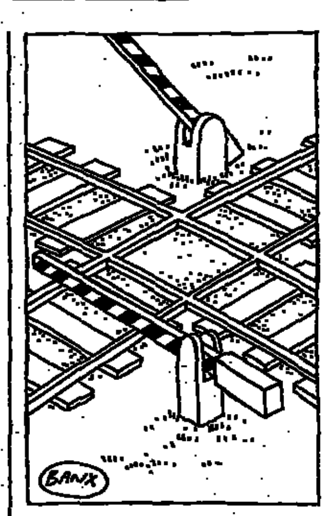
Peace auction

■ Although the European Community sponsored peace conference on Yugoslavia was started nearly a year ago, it has failed to set up a permanent secretariat. Hence its chairman Lord Carrington has been using the London premises of Christie's, the fine art dealers he also chairs, for talks with representatives from war-torn Bosnia-Hercegovina.

"It's as if he is meeting us between auctions," said one senior Bosnian official, who regretted that the UK, which holds the presidency of the Community, appeared to have made little effort in providing transport and a decent venue for talks affecting the lives of thousands of people in Bosnia.

First at the door of Christie's was Radovan Karadzic, head of the Serb irregulars still bombarding the eastern city of Goradze, despite yet another ceasefire promise by Karadzic.

A psychiatrist by training, he was chauffeured to and



from the premises in a blue Volvo, guarded by his usual côterie of heavies. Haris Silajdzic, Bosnia-Hercegovina's foreign minister, just took a taxi.

Deep pile

■ The auction-room peace talks contrast sharply with the London red carpets being rolled out for one Egon Klepsch. Yesterday: meetings with the prime minister and lord chancellor, the leaders of both opposition parties and the lord mayor of London, not to mention lunch with the foreign secretary. Today: an audience of the Queen, drinks with Commons speaker Betty Boothroyd, and chinwags with a further clutch of ministers.

Of course they, unlike most Britons, know that Klepsch is president of the European parliament. But his reception is to say the least a notch above any given to his predecessors in said office.

Could the reason be that he is a German Christian Democrat, who had a lot to do with arranging the admission of British Conservative MEPs into the European People's Party group three months ago? Not an earth-shattering event, perhaps, but one that John Major sets some store by.

Whitson's turn

■ Midland Bank and its new Hong Kong owner are still enjoying their honeymoon, so nobody will be too upset about the abrupt departure from the Midland board of highly paid American, Gene Lockhart, and well connected Dutchman George Loudon. Evidently their faces just didn't fit any more.

They had, however, proved themselves in the market place – more than can be said for Keith Whitson, Midland's new 49-year-old deputy chief executive. Having joined the Hongkong Bank from school, he has worked his passage and so has more in common with most Midland Bankers than Loudon or Lockhart.

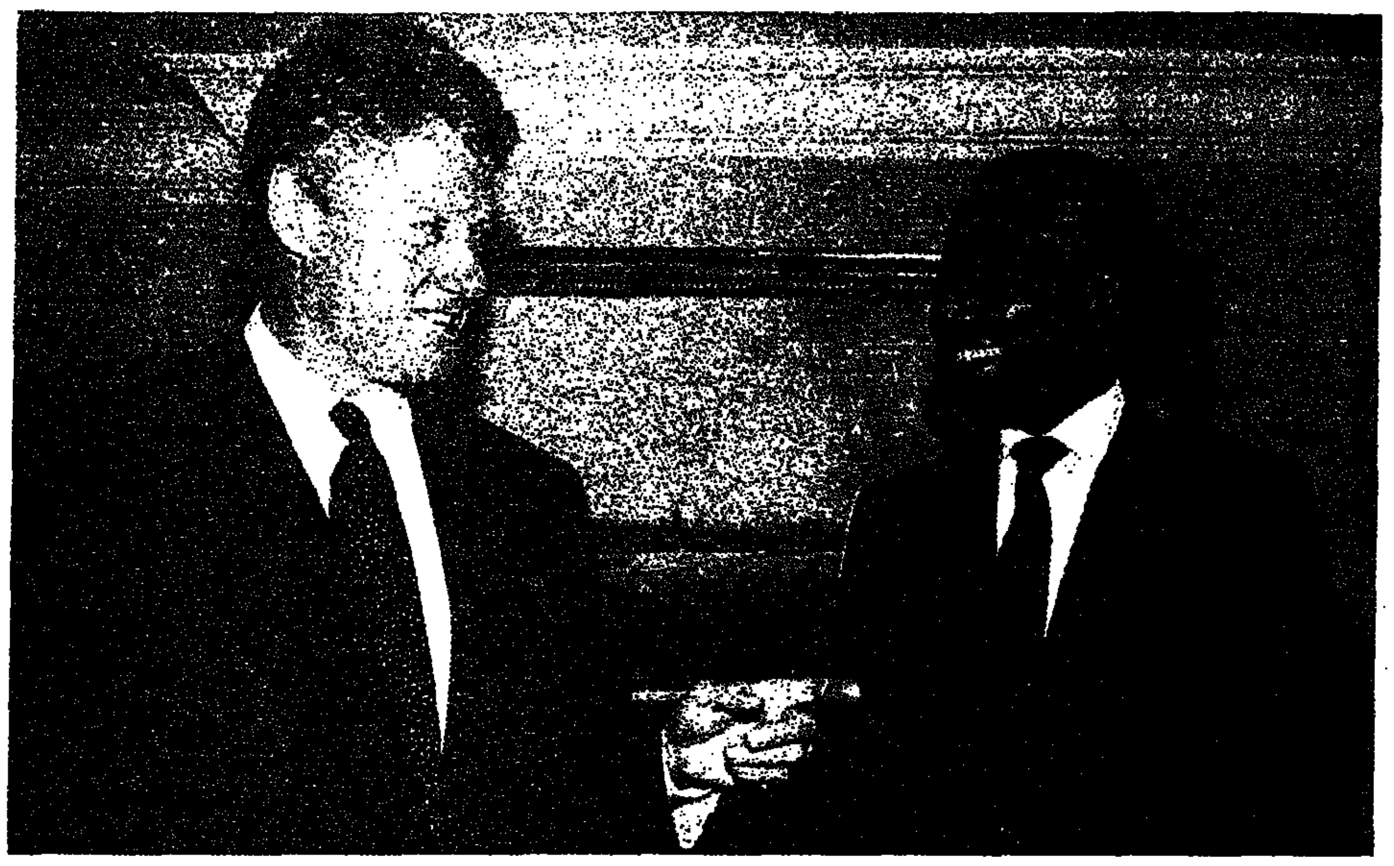
Nevertheless if Midland staff regard Whitson as just another safe pair of hands, they may be badly mistaken. In his days at Midland's new sister organisation, New York's Marine Midland, he helped reduce its assets by over a third and its staff by close to a quarter.

Heavy price

■ Whatever British Rail may think of the government's privatisation plan, it has certainly taken change on board by hoisting its fee for a cup of coffee to 81p. Train stewards dishing it out now have to lug around vast amounts of copper as change for the £1 coins they're invariably offered.

"A bizarre price," commented Observer's watchdog on the 10 am express to Cardiff. "Couldn't agree with you more," said the weary trolley-pusher.

FINANCIAL TIMES
Thursday July 16 1992



Nelson Mandela, in New York yesterday to address the UN Security Council, meets presidential hopeful Bill Clinton

Mandela rejects resumption of talks

By Michael Holman in Johannesburg, Martin Dickson in New York and Agencies

MR NELSON MANDELA, the African National Congress leader, vowed last night not to resume talks for a non-racial government in South Africa until violence in black townships subsided.

In an address to the United Nations Security Council in New York, he accused the Pretoria government of organising and orchestrating the violence, directed mainly at movements such as the ANC.

Mr Mandela called on the Security Council to intervene to end the stalemate in South Africa, saying it was its obligation to act firmly. "Failure to act decisively cannot but undermine its prestige," he said.

He called again for Mr Boutros Boutros Ghali, the UN secretary-general, to appoint a special representative to help stop the violence and create a climate conducive to negotiations. The Security Council, he said, should then undertake "continuous monitoring" of the situation.

During Security Council debate on South Africa, Mr Pik Botha, the foreign minister, was expected to support a proposal that a UN envoy makes a fact-finding visit.

He was also expected to invite international observers to take part in fresh efforts to end violence. Earlier, Mr Mandela branded President F.W. de Klerk's latest initiative to end the violence in South Africa as a "raw manoeuvre" to influence the the UN debate.

Mr de Klerk, in the latest attempt to revive South Africa's stalled peace process, pledged to disband controversial security force units in a statement issued late on Tuesday night.

The country's tense political climate was highlighted yesterday when shops in the centre of Pietermaritzburg, the Natal provincial capital, were looted after several hundred ANC supporters tried to occupy the city hall.

In a late night statement on Tuesday, Mr de Klerk announced that two battalions which have won a reputation for brutality in operations in black townships, would be disbanded.

A police unit which includes members of a former counter-insurgency force known as Koevoet, which was deployed in pre-independence Namibia, would also be disbanded. Members of all three forces would be absorbed into other units.

Mr de Klerk, who warned that the ANC's campaign of "mass action" in the form of strikes, marches and sit-ins had "created an explosive situation", renewed earlier pledges to ban the carrying of dangerous weapons in public.

Peace talks on Bosnian crisis make no progress

By Judy Dempsey and Robert Mauthner, Diplomatic Editor, in London

THE European Community-sponsored peace talks on Bosnia-Hercegovina have made no progress following a day of talks in London, Lord Carrington, chairman of the talks, said last night.

He said the only significant aspect of the talks was that all three leaders from war-torn Bosnia had turned up.

Lord Carrington added that some constitutional settlement would have to be agreed between the Moslem, Serb and Croat communities in Bosnia before any ceasefire had any meaning. His remarks followed a request by the Bosnian government which yesterday asked the EC to place all heavy weapons under international supervision as the first step towards stopping the fighting in Bosnia-Hercegovina.

Mr Haris Silajdzic, Bosnia's foreign minister, who took part in bilateral talks with Lord Carrington in London, said ceasefires were meaningless if the international community failed to take steps to disarm the Serbs. "How can we continue this peace conference when thousands of people are being killed or deported, and regions are being ethnically cleansed by the Serbs?" asked Mr Silajdzic.

He said the Bosnian government would reject the "cantonisation" plan drawn up by the EC last March. The plan was supported by Mr Radovan Karadzic, head of the Bosnian Serbs, and Mr Mate Boban, head of Bosnia's Croats, because it would eventually lead to the ethnic division of Bosnia between Croatia and Serbia and leave the Moslems without a homeland.

Mr Karadzic, leader of Bosnia's Serbs and the Serb irregular forces, who also met Lord Carrington, called for a ceasefire and the creation of a land corridor from the Adriatic port of Split in Croatia to the Bosnian capital of Sarajevo, which is still under siege by Serb irregulars.

Mr Karadzic said the ceasefire "should last longer to give us a breather to finish our talks on the conference on Bosnia-Hercegovina".

But it appeared unlikely that he would adhere to any ceasefire until the Serbs had consolidated their hold over eastern Bosnia.

Meanwhile, Mr Douglas Hurd, the British foreign secretary, who left for a four-day tour of former Yugoslavia, was due to stop in Paris last night for talks with his French opposite number, Mr Roland Dumas.

Mr Hurd, who is due to visit Ljubljana, Zagreb, Sarajevo (if conditions permit), Belgrade, Skopje and Tirana, is anxious to use the British presidency of the EC to boost efforts to find a peaceful solution to the Yugoslav crisis

Mr Hurd and Mr Dumas were expected to discuss the possibility of opening land corridors to Sarajevo through which aid would be transported in trucks, which would have to be protected both by military aircraft and ground troops. Britain has firmly ruled out the use of British troops for such a purpose.

Bonn sends destroyer, Page 2
Editorial comment, Page 12
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Abu Dhabi criticised

Continued from Page 1

Mazrui, head of Abu Dhabi's Department of Private Affairs, which handles the personal finances of Sheikh Zayed, Abu Dhabi's ruler.

In the conversation, Mr Naqvi gave the Abu Dhabi representatives details of hitherto undisclosed losses at BCCI and said that $2.2bn of funds belonging to Sheikh Zayed, had been stolen by ICIC Group, a Cayman Islands offshoot of BCCI.

Abu Dhabi representatives say the confession was confusing and that they did not trust Mr Naqvi. They believed ICIC was unrelated to BCCI's core activities.

They were given no evidence to back up his assertions, though they eventually received a three page hand written summary from Mr Naqvi of his allegations, which they decided to investigate before communicating them to outside authorities. It is not known whether they communicated details of the confession to Sheikh Zayed.

No notes were taken of the conversation at the time. Lord Justice Bingham is understood to have relied to a large extent on written evidence relating to the discussion provided by Price Waterhouse, BCCI's accountants.

However, Lord Justice Bingham is convinced that Abu Dhabi was not as uncomprehending as it now says it was. His draft says that the Abu Dhabi representatives were not innocents in financial matters.

The report, not due to be published for several weeks, falls into three parts. The first, running to 1,000 pages, contains the evidence and is unlikely to be published. The second section, of more than 300 pages, is a narrative. The final section, which is still being prepared, contains Lord Justice Bingham's conclusions and recommendations.

The Bank of England and the Treasury, which commissioned the report, have received the bulk of it already. The government will then decide, in consultation with the Treasury's solicitors, which parts to publish. The government has said that any parts likely to prejudice possible criminal prosecutions will be excluded.

Safety fears at UK reactor

By Neil Buckley in London

THE operator of Sizewell B, Britain's most advanced nuclear reactor, has been asked to consider strengthening its back-up safety system after fears over the station's principal computer-controlled safety system.

Nuclear Electric, the state-owned power generator, intended Sizewell B to be the first UK nuclear power station to rely on a computer-controlled primary system to detect faults and shut the reactor if necessary. The station, in Suffolk, east England, is due for completion in 1994.

But the Nuclear Installations Inspectorate, part of the government's health and safety executive, has asked Nuclear Electric to examine extending its back-up system, which is not computer-controlled, so that it could also carry out the functions of the main system.

Nuclear Electric said last night that the back-up system at Sizewell, which will be the UK's first pressurised water reactor, operated on the same principle as those used at existing nuclear stations. The computer-controlled primary system was an additional safeguard aimed at protecting against more remote risks.

The company said that human operators would be able to override the computer-controlled system and shut down the plant at any stage if they suspected a fault. The computer would prevent them only from taking action that would compromise the plant's safety.

Today's Computer Weekly magazine reports that the NII asked Nuclear Electric to consider increasing the scope of its back-up safety system at a meeting of the Advisory Committee on the Safety of Nuclear Installations at Sizewell last month.

Computer experts have long warned against public safety being entrusted to complex computer software, which they say is difficult to test for errors because of its complexity. The British Computer Society has set up a taskforce to examine the use of safety-critical computer systems.

Nuclear Electric is believed to have told the NII that extending the system could delay the project by up to nine months.

Nuclear Electric said the NII had said it would license the Sizewell B plant without extending the secondary system if the company could substantiate the validation tests it was carrying out.

France 'too dependent', Page 3

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	18	64	Frankfurt	F	21	70	Majorca	S	29	84	Oporto	C	18	64	Tenerife	S	27	81
				Brussels	C	20	68	Geneva	S	24	75	Malaga	S	28	82	Oslo	F	21	70	Tokyo	C	24	75
				Budapest	F	25	77	Gibraltar	S	25	77	Malta	S	29	82	Paris	S	25	77	Toronto †	F	16	61
Ajaccio	S	25	77	Buenos Aires	C	9	48	Glasgow	R	15	59	Manila		–	–	Prague	S	19	66	Tunis	S	29	84
Algiers	S	27	81	Cairo	S	32	90	Helsinki	F	19	66	Melbourne	S	15	59	Reykjavik	C	9	48	Valencia	S	31	88
Amsterdam	F	21	70	Cape Town	S	16	61	Hong Kong		–	–	Mexico City	C	22	71	Rhodes	S	26	79	Venice	S	28	82
Athens	F	30	86	Caracas	C	29	84	Innsbruck	C	22	72	Miami †	S	28	82	Rio d'Janeiro	F	35	95	Vienna	R	18	64
Bahrain	S	33	91	Casablanca †	S	25	77	Inverness	F	15	59	Milan	S	28	82	Rome	S	26	79	Warsaw	F	19	66
Bangkok	C	32	90	Chicago †	C	16	61	Islamabad	F	34	93	Montreal †	S	17	63	Salzburg	R	17	63	Washington †	C	27	81
Barcelona	S	24	75	Cologne	F	20	68	Istanbul	S	24	75	Moscow	F	29	84	S'Francisco †	S	16	61	Zurich	S	25	77
Beijing		–	–	Copenhagen	C	17	63	Jakarta	C	32	90	Munich	C	20	68	Seoul	F	26	79				
Beirut	S	27	81	Corfu	S	29	84	Johannesburg	S	18	64	Nairobi	F	19	66	Singapore	F	29	84				
Belfast	C	18	64	Dallas †	F	26	79	Lisbon	S	24	75	Naples	S	30	86	Stockholm	C	15	59				
Belgrade	F	27	81	Dublin	F	23	73	London	C	23	73	Nassau	F	33	91	Strasbourg	R	21	70				
Berlin	F	19	66	Dubrovnik		–	–	Los Angeles †	C	19	66	New Delhi		–	–	Sydney	S	16	61				
Biarritz	C	23	73	Edinburgh	R	14	57	Luxembourg	C	19	66	New York †	C	24	75	Taipei	F	35	95				
Bombay	F	30	86	Faro	S	29	84	Madeira	S	23	73	Nice	S	24	75	Tangier	S	27	81				
Bordeaux	S	29	84	Florence	S	28	82	Madrid	S	33	91	Nicosia	S	27	81	Tel Aviv	F	30	86				

Temperatures at midday yesterday
† Noon GMT temperatures.
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

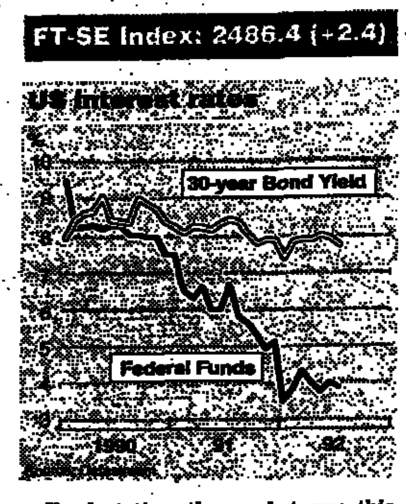
In for the long haul

It is too early to tell whether the US discount rate cut at the start of this month will succeed in injecting vigour into the domestic recovery. But the early July drop in new car sales hardly bodes well, while yesterday's figures on June industrial production and May business inventories confirm the weak backdrop against which the rate cut decision was taken. A decline in industrial output was inevitable after the June unemployment figures. Only a small portion of the latest 0.3 per cent drop can be put down to the effect of last month's rail strike on coal supplies. The disturbing aspect is the heavy fall in output of cyclically sensitive goods like motor vehicles and construction equipment.

Nor do the inventory statistics point to a rapid recovery in output. Inventories are at their highest level since March last year. May's 0.1 per cent rise was accompanied by a 0.2 per cent drop in business sales, while stocks are particularly high in the flagging retail sector.

There is not much in these figures to steer market speculation away from the possibility of another rate cut later in the summer. That would leave the dollar under continuing pressure, though yesterday's fall was more a reflection of worries about a possible Bundesbank tightening today. Moreover, if the latest rate cut does fail to do the trick, there must be some doubts about the ability of the US economy to respond to short term rate cuts at all. A sharper fall in long rates may be needed to rekindle activity in the residential mortgage market. But that is harder to orchestrate when the budget deficit is ballooning, the currency is weak and the appetite of Japanese investors has waned.

FT-SE Index: 2486.4 (+2.4)



UK market

Yesterday's further 17 per cent slump in the shares of the management consultant Alexander Proudfoot makes one suspect that a trend is emerging in the London market. Proudfoot is one of a clutch of medium-sized stocks – others include BM Group and MTM – to have collapsed suddenly in recent months. Most have suffered sudden changes in top management. All were at their peak relative to the market when they came to grief. The reaction has in each case been savage. Proudfoot's shares are down 45 per cent since late May. BM and MTM are down 79 per cent and 88 per cent from their peaks in June and February respectively.

The last time the market was this jumpy was in October 1990, immediately after the collapse of Polly Peck. That time, the targets were companies with heavy borrowings. This time it is companies with doubtful earnings. It is worth recalling that in 1990 the market made some shrewd choices of victims, such as Maxwell Communication and Brent Walker. It is perhaps also worth recalling that the worst of the price collapses coincided with the bottom of the market, when the FT-SE index bounced off the 2,000 mark.

The complicating factor this time is the lack of warning. Investors in Maxwell or Brent Walker knew them to be heavily indebted and were taking a calculated risk. The problem now is pressure from the real economy, which is harder to assess. But all the companies mentioned – the list could be extended to include Albert Fisher – were essentially creatures of the 1980s. Perhaps, in markets like these, one criterion for stock-picking is companies which were kicked around in the recession of 1980-81 and managed to survive.

BBL

Imagine the City of London's reaction if several hundred of the Midland Bank's branch managers had openly expressed their preference for the Hongkong Bank, while Midland's directors had adamantly refused to choose between Hongkong and Lloyds. That is roughly what seems to be happening at Banque Bruxelles Lambert (BBL). Senior employees have voiced their support for a cross-border alliance with Internationale Nederlanden (ING), rather than a local solution involving the state-owned credit institution Credit Communal. Yet after yesterday's extraordinary meeting on the subject the bank had nothing to say.

BBL is torn between the commercial logic of throwing its lot in with ING and the messier political option of linking with Credit Communal. For the moment it looks like a classic Belgian stand-off. Local sensitivities were ruffled by the French takeover of Société Générale de Belgique in 1988, and there is eagerness in the Belgian political and financial establishment to ensure that another foreigner does not now walk off with BBL, one of the country's big three banks. Never mind that Suez, La Générale's majority shareholder, weakly allowed the Belgians to delay the much-needed restructuring of the sprawling holding company which is now under way.

Given the 10-15 per cent speculative premium in BBL's share price, minority investors are playing a risky game. Admittedly ING looks to be moving on to the offensive by raising its stake to over 10 per cent, but the strategy of BBL's near-30 per cent shareholder Groupe Bruxelles Lambert (GBL) is far from clear. GBL can probably deliver effective control to one side or the other. But what if it does so without extracting a full bid as part of the price?

New issues

Anglian's first day trading discount of 3 per cent puts it somewhere in the middle of the latest crop of new issues: less of a disappointment than the 13 per cent scored by The Telegraph, but trailing Kenwood's 1 per cent premium. Whether the relationships will stay that way is another matter. Research from the City University Business School into new issues between 1980 and 1988 suggests first day trading is an unreliable indicator of future performance. Though the average initial premium was 14 per cent, the collective underperformance thereafter against the FT-Actuaries All-Share index was 4 per cent over three years. The outstanding performance of Body Shop apart, shares with the highest initial premium tended to perform worst. Unfortunately for The Telegraph, shares opening at a discount were the second worst performing group. The best started with a premium between 6 and 12 per cent. A modest degree of underpricing may yet be the best recipe for getting an issue away.

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INSIDE

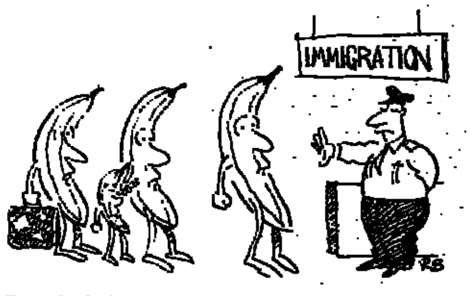
Sale of Cathay stake sets Chinese trend

The purchase by Chinese companies of a further 10 per cent of Cathay Pacific underlines a growing trend in Hong Kong for owners of business franchises to seek a mainland partner. The deal, in which China National Aviation Corporation and China Travel Service each bought a 5 per cent stake in the airline, was not about forging an all-China aviation and travel alliance, but about Cathay safeguarding its post-1997 future. Page 20

Taunton Cider offer fails to attract public support

The public has taken up only 30.1 per cent of the shares on offer in Taunton Cider, making the west country drinks group the latest new flotation to fail to attract widespread support. Meanwhile, Taunton's main competitor, Bulmer Holdings, reported a 19 per cent rise in pre-tax profits as the market continued to outperform all other drinks markets in the UK. Page 22

Banana bloat



Ecuador's banana bonanza, which brought in $715m last year, is threatened by mounting production and European Community measures to limit Latin American access to the European market. Although Ecuador more than doubled exports to Germany last year, producers are worried about future European sales. Page 24

Brazil bounces back

Brazil was the poorest performing market in June, while Turkey came out on top after several months of decline, according to emerging markets data provided by the IFC, part of the World Bank. Allegations of corruption against Brazil's president had prompted the decline, but most of the losses have since been recouped. Back Page

Osaka under scrutiny

Further restrictions on stock index trading at the Osaka Stock Exchange could be imposed if there is evidence of volatility in the underlying cash market. Japanese financial authorities have blamed futures and options trading on the OSE for distorting the cash market. Page 21

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Asko	729	+	13
Beiersdorf	770	+	10
Douglas	570	+	25
Lahmeyer	728	+	16
Falls			
Continental	255.8	–	8
Leifheit	448	–	11

NEW YORK ($)

Rises			
Delta	56⅞	+	1½
Motorola	82¾	+	2
Sunrise Tech	9⅝	+	1⅝
Falls			
Am Home	72¾	–	2⅛
Cigna	54⅜	–	1⅛
Herbalife	7¾	–	⅞

PARIS (FFr)

Rises			
Fonc Lyonnaise	692	+	21
Falls			
AGF	450	–	13
Axa	841	–	22
Cogifi	282	–	8
Eridania	605	–	42
Printemps	728	–	21

TOKYO (Yen)

Rises			
Honba	2300	+	260
Takaoka Elec	520	+	40
Tokico	433	+	38
Falls			
Hisaka Works	1070	–	70
Lec	16	–	2
Taisei Prefab	1920	–	120

LONDON (Pence)

Rises			
Barclays	329	+	12
Baynes (Chas)	47	+	4
BICC	303	+	11
Bulmer (HP)	300	+	16
Dalepak Foods	328	+	18
Hi-Tec Sports	77	+	6
IMI	256	+	14
Multitone B	109	+	4
Templeton Gal	309	+	20
Tomorrows Les	61	+	13
Triplex Lloyd	145	+	6
Vickers	136	+	8
Falls			
AngliaS Homes	6½	–	5½
BM	85	–	9
Clarke (T)	80	–	9
Lloyds Chemist	269	–	11
Medeva	177	–	18
Piddington	107	–	6
Proudfoot (A)	194	–	41
Taylor Woodrow	70	–	5
Union Discount	44	–	5
WPP	39	–	3
Wood (John D)	29	–	3
Wyko	57	–	3

Fare wars push AMR to $166m loss

By Nikki Tait in New York

AMR, parent company of American Airlines and one of the "big three" carriers in the US, yesterday led what is likely to be a dismal quarterly reporting season for the US airline industry, with a $166m loss after tax in the three months to the end of June.

Mr Robert Crandall, American's chairman, described the figures as "an enormous disappointment". He blamed domestic fare wars and rising fuel costs. "Operating results were very adversely affected by the need to match discounted fares of our competition, and secondly, by continuing increases in fuel prices," he said.

Part of the deficit came from one-off items – a $109m provision on a now-suspended hotel and car reservation system project, and $9m to cover American's share of a recent class action settlement.

But even without these items, AMR would have posted an after-tax loss of $48m, or 64 cents a share, compared with a $10m profit in the same three months a year earlier. At the operating level, there was a small profit, but a 14.1 per cent rise in operating expenses year-on-year, to $3.53bn, outweighed the 12.3 per increase in revenues at $3.59bn.

In April, American tried to overhaul domestic ticket pricing by eliminating its numerous discount offers in favour of a four-tier fare system. Mr Crandall admitted the initiative had been undermined: "Our competitors have chosen to continue filing many different fares, thus proliferating complexity and preventing 'value pricing' from working as it should. Thus, despite strong traffic growth in the second quarter, yield declined by 3.6 per cent – a very unfortunate result."

The Dallas-based company was one of only two US carriers to make a profit in the first three months of 1992. However, the second-quarter deficit means AMR is now posting a net loss of $146m for the first half, on revenues of $7.09bn. In the first six months of 1991, there was a $185m deficit, on revenues of $5.96bn.

AMR had already warned of a second-quarter loss and the airline's operating results were better than some pundits had feared. Shares in AMR closed up $1⅜ at $65½ yesterday.

Michiyo Nakamoto charts the search for rewards from technology

Patents trade becomes a booming business

Current wisdom in the electronics industry is that "if you can't sell your products, sell your technology". As competition and economic slowdown eat away at profits, the adage is winning a growing number of adherents.

The trend to seek rewards for technological developments is encouraging an increasing number of companies to search their portfolios for patents on which they might be able to capitalise.

Furthermore, companies which believe their technology is being used by competitors who have not made royalty payments for the privilege are increasingly willing to turn to the courts to fight for their cause.

In the past few months Intel, the semiconductor manufacturer, has filed suits against Chips and Technologies (which has countersued Intel) and Cyrix, while Wang, the computer company, has brought actions against Mitsubishi Electronics America and NMB Technologies.

The trend towards protecting intellectual property is spreading as the financial gains from licensing technology increase.

"It's a booming business and there is lots of money to be made in it if you have a patent," says Mr Lane Mason, principal analyst at Dataquest, the high technology consultants, of San Jose, California. He estimates that last year, publicly-known licensing fees that were paid in the semiconductor industry alone came to roughly $800m, compared with about $300m in 1986.

Texas Instruments has made more money in the past two years collecting royalties on its semiconductor patents than it has from selling semiconductors.

The Dallas-based group made a loss from operations in both 1990 and 1991, but collected $428m during that time in royalty revenues from its competitors. In the five years since 1987 it has received in excess of $1.2bn in royalty revenues alone.

Honeywell, the US controls manufacturer, this year enjoyed a rise in first-quarter income from $71.8m in 1991 to $116.8m, helped by a $127m settlement it won from Minolta, the Japanese camera group, over a patent infringement dispute.

The US has set an example that European and Far Eastern groups are beginning to follow.

Philips, the Dutch electronics group, has agreed to assist in the licensing of patents owned by Mr Gilbert Hyatt, an American scientist entrepreneur.

SGS-Thomson recently asked the US International Trade Commission to investigate the sale by several Taiwanese semiconductor companies and importers of certain integrated circuits, which it says infringe its patents.

Japanese electronics companies, which for many years had silently watched competitors in Korea build up their semiconductor manufacturing capability, have begun to initiate licensing agreements with Korean manufacturers.

The trend has sprouted law firms and organisations specialising in intellectual property rights. "More companies are starting to understand that intellectual property should be a major strategic asset," says Mr Melvin Sharp, president of Innovation Strategies, a consultancy set up specifically to advise companies on how to make use of their intellectual property.

These moves reflect a marked change of attitude among electronics companies towards patented technology.

While the electronics industry was still in its infancy, technologies were licensed widely at low prices in the hope that greater use would establish them as de facto industry standards, says Mr Osamu Ohtake, president of Semicon Research, a consultancy.

But as R&D costs have risen and competition intensified, the pioneers of technologies, many of them in the US, have not been able to make the necessary returns on investments in the marketplace, where they have been battered by competition from the Far East. They have been forced to turn instead to royalty payments as a source of revenue.

"Intellectual property is becoming a new commodity that's being priced at whatever the market can bear," says Mr Mason.

The companies blame rising R&D costs for the trend. "A company cannot go on indefinitely investing billions of dollars in R&D without obtaining a reasonable return on its investment," Texas Instruments says.

The group invested $2bn in R&D between 1986 and 1990, during which time it was able to recoup $700m through royalty payments, which were aided in part by court actions against six Japanese semiconductor manufacturers.

The amount of time and money spent by companies on legal action over patent disputes and the spiralling costs of licensing technology are, however, raising cries of alarm in the industry.

The number of legal disputes involving semiconductor manufacturers, for example, trebled from 12 in 1986 to 37 last year, according to a recent joint study by Pathfinder Research of the US and Semicon Research in Japan.

With amounts being sought for royalties skyrocketing, companies being asked to pay up have started to resist.

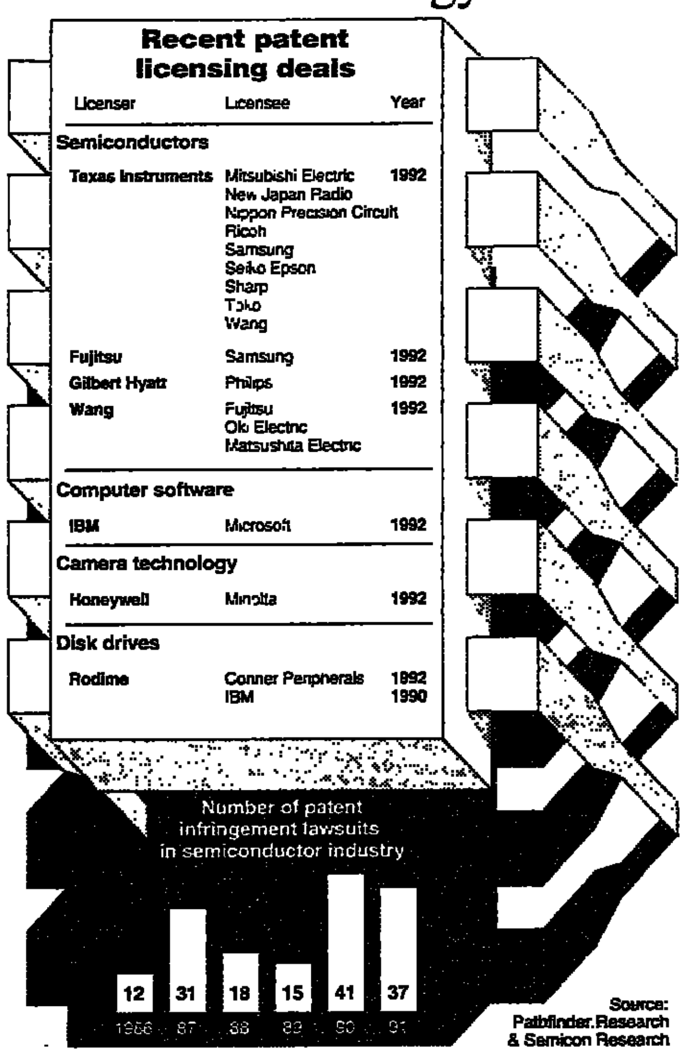
Sanyo, the Japanese electronics group which was in negotiation with Texas Instruments over renewing a licensing agreement, recently started court action against the US group, charging it with misuse of patent rights and anti-trust violations.

Earlier this year, Fujitsu, the Japanese computer and electronics group, filed a petition in Tokyo seeking a court determination that a Texas Instruments patent does not apply to Fujitsu products.

The aggressive stance of the patent holders is such that some in the industry believe there could even be a shift in the balance of power away from companies which succeed on the strength of their low-cost manufacturing and marketing ability, in favour of those which have patented technologies.

Intel, the US semiconductor manufacturer, for example, has been able to dominate a highly lucrative sector of the semiconductor market for years, by refusing to license its microprocessor technology.

But there is growing concern in the industry that if more companies took a similar stance or if licensing prices were allowed to continue to rise as they have done recently, the effects on competition could be detrimental.



Source: Pathfinder Research & Semicon Research

Investors in BBL split over strategy

By Andrew Hill in Brussels

DIRECTORS of Banque Bruxelles Lambert yesterday urged investors to find a quick solution to the strategic questions that threaten to undermine the Belgian bank's shareholder structure.

But the board failed to indicate whether the bank would be better off forging commercial links with an international or a domestic partner.

The group's shareholders are split over strategy. BBL is under pressure from Internationale Nederlanden (ING), the Dutch banking and insurance group, to enter into a form of collaboration.

At the same time, influential Belgian investors – notably Groupe Bruxelles Lambert, the holding company – would like BBL to link up with Crédit Communal, the publicly-owned Belgian credit institution.

ING announced on Tuesday that it had increased its stake in the Belgian bank to just over 10 per cent. At yesterday's board meeting, BBL directors "took note" of ING's wishes, and said they wanted to position the bank "favourably for its further development".

They urged shareholders "to find a rapid solution in order to ensure the stability of its shareholding". Another board meeting is fixed for September 17, but a BBL spokesman said: "The discussion is not really in the boardroom any more – it's rather a debate between investors."

A report to the bank's executive committee by Credit Suisse First Boston has indicated that an international strategy would offer more advantages to BBL than a domestic move. BBL managers have also indicated they would prefer an international link-up.

BBL's complex shareholder structure is dominated by GBL, which controls 24.16 per cent of the bank directly and through subsidiaries. The holding company is headed by Mr Albert Frère, who is believed to favour keeping BBL Belgian. Last week he and his subsidiaries sold a 5.7 per cent stake in BBL to Banque Internationale à Luxembourg, which has Crédit Communal as its principal shareholder.

GBL also heads a long-standing syndicate of BBL's main shareholders, which must offer their shares to GBL first if they decide to sell.

Lex, Page 14

Fininvest profits fall 68% to L61bn after Mondadori purchase

By Robert Graham in Rome

FININVEST, the media, retailing and investment group controlled by Mr Silvio Berlusconi, the Italian magnate, saw 1991 net profits fall 68 per cent to L61.3bn ($54m).

The sharp reduction reflected the effects of absorbing the publishing group Mondadori, purchased last year largely on the basis of new borrowing. As a result, the group's net debt rose 21 per cent last year to L2,938bn – higher than analysts expected – and compared with net assets of L1,178bn.

The Mondadori purchase also showed that last year's growth in sales was generated by acquisitions. The group's consolidated turnover rose 33 per cent from L7,561bn to L10,096bn. With Mondadori stripped out, sales growth fell to 14 per cent.

Fininvest, which is Italy's third largest private group after Fiat and Ferruzzi-Montedison, invested heavily, with L1,158bn spent on cinema and television rights, supporting its core media business. The group predicted 1992 consolidated turnover could reach L12,300bn.

In spite of the stagnant state of the Italian economy, the group claimed that increased efficiency led to a 10 per cent rise in operating profits to L544bn. However, this was not reflected in after-tax profits because of growing financial costs.

The Berlusconi family controls all but 10 per cent of minority stakes in the group's two publicly quoted companies, Mondadori and Standa, the store chain. The group, which is Europe's largest media empire after Germany's Bertelsmann, gave no hint at yesterday's annual meeting of any future floatations.

Fininvest SPA, the holding company, recorded net profits of L4.9bn against L29bn in 1990 and it was decided to reinvest the profit.

Among the poorest performing activities were the group's property interests which grew 5.5 per cent reflecting the decline in the Italian market. The Standa chain also saw sales scarcely grow above inflation to L4,028bn.

The group's media activities have come under the scrutiny of the media ombudsman in Italy after newspaper editors and other television competitors claimed Mr Berlusconi was stifling competition and manipulating the advertising market.

Mr Berlusconi is contesting a ruling to cap television advertising receipts.

Sun bid for Norwegian insurer fails

By Richard Lapper in London

SUN ALLIANCE, the UK's biggest composite (life and general) insurer, has failed in its attempt to acquire Norway's fourth-largest life insurance company, Forenede.

The bid, which was launched in January through Sun's Danish subsidiary Codan, was seen as an important step in the UK insurer's strategy of expanding in the Scandinavian insurance market.

However, the Copenhagen-based Codan, which is 71.5 per cent owned by Sun Alliance, notified the Oslo stock exchange yesterday that it was withdrawing its bid to acquire Forenede.

The announcement removed any lingering hopes that the bid, which had valued Forenede at £72m ($137.5m), could proceed, following last month's decision by the Norwegian finance ministry to award a permit to acquire the company to Gjensidige Skadeforsikring, a rival Norwegian insurer. Gjensidige must complete the purchase of two thirds of Forenede by August 1 and wholly own the company by August 1993.

It is understood that Codan will retain both its 10 per cent stake in Forenede and an option to purchase a further 11 per cent in the Norwegian company.

Sun Alliance made no formal announcement yesterday, arguing that the matter had been dealt with by Codan.

It is understood, however, that although disappointed with the failure of the bid – which would have given Sun Alliance 10 per cent of the Norwegian market – the group is continuing to investigate opportunities for expansion in Scandinavia.

Sun Alliance's interest was signalled by an unsuccessful attempt to bid for the Danish state-owned life insurer, Statsanstalten for Livsforsikring, which was privatised in 1990.

The group is optimistic about prospects for future growth in the Scandinavian savings market.

State pensions schemes in the region have come under increasing strain in recent years.

Sun Alliance's overseas activities this year have mainly focused on the agreement of partnership deals.

In May, the group signed an agreement with the Swiss company, Helvetia, to develop jointly international commercial lines business.

In Scandinavia, Sun Alliance has less formal accords with Vesta Group in Norway and Atlantica in Sweden.

Marriott pays $20m for leading Hungarian hotel

By Nicholas Denton in Budapest

MARRIOTT Corporation, the US hotels group, has topped bids by rival hotel groups Intercontinental and Ramada to win control of the Duna Intercontinental, one of Hungary's leading hotels.

Marriott will pay more than $20m for the state shareholding in the hotel, a price which was influenced by the shortage of hotel space and prime sites for development in Budapest.

The Duna Intercontinental went to Marriott after three rounds of bidding described by the State Property Agency, the Hungarian privatisation authority, as a close battle.

The SPA admitted it would have been easier to sell the hotel to the Intercontinental group, whose bid was a close second. It already held a franchise agreement with Hungarhotels, the Hungarian state hotel chain which operated the Duna Intercontinental.

But the agency said it had not managed to come to terms with Intercontinental on a valuation of the franchise contract.

Moreover, the SPA feels that its decision dispels scepticism about its commitment to competitive bidding in substance as well as form.

The transaction is the first belated result of Hungary's two-year drive to privatise Hungarhotels, Danubius and Pannonia, the three state-owned hotel chains.

With the revenues from the disposals of individual hotels, the authorities are trying to reduce the hotel groups' debts and make the pared-down chains more attractive candidates for privatisation.

The government plans this autumn to float Danubius and Pick Szeged, the meat and salami producer. These will be sold off through the stock market, reviving this form of privatisation.

Preference will be given to small domestic investors in both privatisation issues, whose planned structure bears strong parallels to the British model.

Under consideration, at least for the Pick public offering, are price discounts of about 10 per cent, deferred payment or bonus shares. Nevertheless, the agency said there would be plenty of shares left for international investors.

James Capel, the UK investment bank advising on both transactions, said Danubius would seek a listing on SEAQ International in London.

The advisers said they would try to place privately about 40 per cent of Pick, mainly in the US.

Brussels fines Parker Pen

By Andrew Hill in Brussels

PARKER PEN, the British-based company, has been fined Ecu700,000 ($615,601) by the European Commission for trying to prevent its German distributor from exporting its pens to other EC countries.

The German company, Herlitz, has been fined Ecu40,000 for its involvement in the illegal agreement.

The Commission said the deal – which was concluded in August 1986 – would clearly have obstructed the achievement of the single European market and was therefore "a very serious infringement of EC law". The illegal agreement came to light after a Dutch importer of office furniture discovered it could not buy Parker products from Herlitz except where Parker had given its consent in writing.

Parker has managed to avoid a heavier fine by co-operating with Brussels. It has drawn up a programme for its EC subsidiaries, showing them how to comply with EC competition law. As a result, the Commission decided to fine Parker only on the basis of its German sales rather than taking into account EC-wide turnover.

Hongkong Bank unveils shake-up at Midland

By David Barchard in London

HONGKONG and Shanghai Bank Corporation (HSBC) yesterday disclosed the first stage in its reorganisation of Midland Bank following last month's £3.7bn ($7.06bn) takeover of the UK bank, with the appointment of a new deputy chief executive at Midland to work with Mr Brian Pearse, Midland chief executive.

At the same time, it confirmed that two top executives at Midland are stepping down from the Midland board prior to leaving the group.

Mr Keith Whitson, 49, a general manager of HSBC, has been made Midland deputy chief executive. Until last month, Mr Whitson had been executive director of HSBC's US subsidiary Marine Midland.

At Marine Midland, he helped design and push through cost-cutting and restructuring measures. Next Monday, Marine Midland will publish half-year figures which are expected to show that it has returned to profit compared with a loss of $109.3m at the same point last year.

Mr Whitson previously served as HSBC chief executive in the UK from late 1987 after it purchased its 14.9 per cent stake in Midland.

He succeeds Mr Brian Goldthorpe who takes up responsibility for group risk at HSBC from January 1.

Midland confirmed that Mr Gene Lockhart, chief executive of UK Banking, and Mr George Loudon, chief executive of Midland Montagu, are to leave the board when departure terms have been negotiated.

Mr Lockhart has run the UK banking arm of Midland for two years. HSBC's decision that he should go came as a shock to Midland executives.

Mr Loudon's departure reflects HSBC's plan to forge closer links between each bank's commercial and investment banking arms. Mr Bernard Asher, an HSBC director, is expected to become head of a combined merchant banking and international division.

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KIO launches damage limitation exercise

Peter Bruce reports on the Kuwaitis' efforts to rebuild their tarnished image in Spain

THE Kuwait Investment Office (KIO) may be poised to take advantage of falling share prices to increase its positions in some of its Spanish industrial investments. This would offset some of the damage being done to its image as a long-term investor in Spain by the collapse of its large chemicals affiliate, Ercros.

An emergency meeting in Kuwait yesterday between the KIO management and the Kuwaiti government, triggered by a growing row in Spain over the Ercros crisis, decided to appoint Peat Marwick to investigate allegations of mismanagement in KIO's Spanish empire and instructed KIO to seek advice about how to "safeguard and develop Kuwaiti investments in Spain". It also sought to protect Kuwait's reputation as an international investor.

The meeting coincides with suggestions in Madrid that the KIO could increase its stake in the foods group, Ebro, in which it already has a 40.2 per cent stake, and that it may be reconsidering its decision not to help rescue Ercros, whose holding company and fertiliser operations filed for protection from creditors last week. Peat Marwick is to report on its findings by November.

While KIO battles to regain the confidence of Spanish bankers and ministers who are angry with its refusal to pump fresh capital into Ercros, the Kuwaiti agency is also being advised by Salomon Brothers on what to do with the rest of its portfolio in Spain, which includes Ebro, the Prima property group and the papermaker, Torras Papel.

KIO's management is understood to be keen to make good promises made to the government that it intended to stay in Spain, but worries over the way Ercros appears to have been abandoned to its fate have led to sharp falls in the prices of shares in Ebro and Prima in Madrid.

Stock in Ebro, which KIO and its Spanish managers have built up into one of the world's leading producers of long-grained rice, was trading yesterday at Pta1,500, up strongly but still half their 1992 high, on remarks by Mr Pedro Solbes, the agriculture minister, that KIO officials had told him they might increase their position in the company.

Any further purchases by KIO might put the Kuwaitis into direct conflict with Mr Javier de la Rosa, KIO's former adviser in Spain who has built up a personal stake of about 20 per cent in Ebro this year.

But the most interesting prospect for KIO is Prima, whose shares have come under heavy selling pressure and are now quoted in Madrid at around Pta1,800 each, down from Pta3,950 in March. At one point in 1991, they were trading at Pta7,890.

In 1988, Grupo Torras, KIO's holding company in Spain, issued a £100m Eurobond, redeemable at 125 per cent in August next year, that was originally convertible into Torras shares. In 1990, however, KIO bought Torras off the stock market and the convertibility of the bond was transferred to Prima and a cash payment.

By pushing Ercros into receivership, KIO may have triggered one of the default clauses in the bond. Ironically, if bond holders want it redeemed now instead of in 1988, KIO could save itself some £36m as it is redeemable this year at 102 per cent and it would also escape two coupon payments before a put option becomes available next year.

That saving could be used to buy more of Prima's stock. Analysts agree in Madrid that while Prima, like most property companies, is suffering from falling property prices, its office portfolio in Madrid and Barcelona remains one of the most attractive in Spain.

Last weekend, the KIO said it "would be happy" to redeem the bond if holders wanted it to. Salomon Brothers, the National Bank of Kuwait, Creditanstalt, the Swiss Banking Corporation, James Capel and a Monaco-based broker are understood to hold most of the bonds, either on their own accounts or for clients.

Even without a default on the bond – which might unnecessarily damage KIO's international investment reputation – the Ercros crisis has significantly cheapened some of KIO's more attractive assets in Spain, opening up an opportunity for it to demonstrate its commitment to the country.

Nevertheless, Mr Ali Rashid al-Bader, KIO president, badly wants to be rid of Ercros, which owes $15bn. In order to do so without putting 10,500 Spaniards out of work, he is pressing hard to find buyers for all of the Ercros divisions.

Freeport MacMaRon, the US commodities group which earlier this year agreed to lead a joint venture into which Ercros would place its mining and fertiliser businesses, has a team working with Manufacturers Hanover bank in Madrid to find ways of taking full control of the divisions and of securing assistance from governments in regions affected by Ercros plant closures.

A number of European chemicals companies, most notably Hoechst, are said to be interested in taking over Erkimia, the Ercros chemicals division, in Catalonia.

While the Spanish regional administrations try to secure the Ercros jobs in their regions, both KIO and the Spanish government remain adamant they will not pump more money into the group. Following yesterday's meetings, Mr Al Bader may be forced to feed the group small amounts of money over the summer to prevent plants closing. If he is unable to find buyers, KIO faces the distasteful prospect of an outright Ercros bankruptcy.

Alcoa abandons joint venture with Alusuisse

By Kenneth Gooding, Mining Correspondent

THE plans of Aluminum Company of America (Alcoa) for substantial expansion in Europe were severely dented yesterday as it called off negotiations about a joint venture with Alusuisse-Lonza.

The companies had hoped to set up a joint venture which would have invested SFr300m ($210m) to modernise and expand most of Alusuisse's aluminium operations in Switzerland.

The aim was to expand their position in aluminium flat-rolled products for the European automotive, industrial and aerospace markets, which are forecast to have high growth rates during the next decade.

If the deal had gone through Alcoa, the world's biggest aluminium group, would have immediately taken 60 per cent of Alusuisse's smelter, ingot casting operations and rolling facilities in the Canton of Valais. These produce high-technology products with high added-value such as "super-plastic" aluminium sheet for cars and a thick hard-alloy plate used in machinery manufacture.

However, Alcoa said yesterday that "in spite of intensive effort" the companies "were not able to establish a satisfactory basis for co-operation."

Neither company would give any details about what caused the talks to break down. An Alusuisse official said there were differences of opinion during negotiations, which started in November last year.

Gardini to buy drinks group

MR Raul Gardini, the Italian industrialist, is buying the Italian food and drinks group Nuova GIA in a transaction worth about $300m, agencies report from Milan.

A spokesman said Mr Gardini was making the purchase through Garma, in which he holds 84 per cent, and Mr Giulio Malgara, the former European chief of The Quaker Oats Co, the remainder.

The GIA group controls the Levissima mineral water brand as well as coffee, biscuit and soft drink products. Its businesses generate an annual turnover of about L330bn.

GIA, which was closely held by the Berger family with minority stakes owned by the Sopaf investment bank of Jody Vender and the Luti group, owns 67.5 per cent of Crippa e Berger, which manufactures and distributes Caffe Hag, a decaffeinated coffee, and the Levissima mineral water group.

The acquisition will lift the Gruppo Gardini's annual revenue in the foods and drinks sector to L2,330bn ($2.06bn). Of this amount, the international Barry cacao products line accounts for L700bn and France's Vital-Sogeviandes meat products account for L1,300bn.

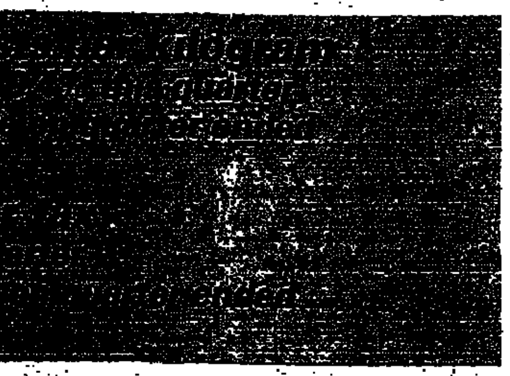
● **ITALMOBILIARE**, the key holding of businessman Mr Giampiero Pesenti, said consolidated net profit in 1991 fell 7.8 per cent to L115.3bn from L125.1bn in the previous 12 months, AP-DJ reports from Milan. It operates in real estate and financial services, and controls leading cement group Italcementi.

Consolidated shareholders equity rose 16 per cent to L1,724bn from L1,484bn, Italmobiliare said in a statement following its board of directors meeting. The diversified holding said parent company net profit for the year was L44.77bn, little changed from L44.82bn a year earlier.

● **FONDIARIA**, which controls insurer La Fondiaria, said a broad review of its operations would be completed by next September, Reuter reports from Florence.

The group said that its insurance activities were going through a consolidation phase and Fondiaria will continue to examine the sale of non-strategic assets. A 10-member panel is conducting the review of its business activities.

Italian press reports say that Fondiaria's controlling shareholders, Ferruzzi Finanziaria and Camillo De Benedetti were at odds over Fondiaria's expansion strategy.



Gengold

- **Dividends**
  - St Helena 100 cents per share
  - Grootvlei 25 cents per stock unit
  - Buffelsfontein 100 cents per share
  - Stilfontein and West Rand Cons pass their interim dividends

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 30 JUNE 1992

All companies mentioned are incorporated in the Republic of South Africa

The GROOTVLEI Proprietary Mines Limited

Company Registration No. 01/02088/06

Another good quarter

Issued capital – 11 438 816 stock units of 25 cents each.

OPERATING RESULTS	Quarter ended 30.6.1992	Quarter ended 31.3.1992	6 months ended 30.6.1992
Mined (m²)	27 653	28 136	55 789
Ore milled (t)	118 000	117 000	235 000
Yield (g/t)	5,3	5,3	5,3
Gold produced (kg)	625	620	1 245
Working revenue (R/kg)	32 218	32 506	32 361
Working costs (R/kg)	29 085	28 597	28 842
(R/t milled)	154,05	151,54	152,80
Working income (R/kg)	3 133	3 909	3 519
Gold price received (R/kg)	32 159	32 433	32 296
($/oz)	349	360	354
FINANCIAL RESULTS (R'000)			
Working revenue	20 136	20 154	40 290
Working costs	18 178	17 730	35 908
Working income	1 958	2 424	4 382
Sundry income – net	1 908	1 928	3 836
Tribute payments – net	143	80	223
Income before taxation and State's share of income	3 723	4 272	7 995
Taxation and State's share of income	418	1 183	1 601
Income after taxation and State's share of income	3 305	3 089	6 394
Capital expenditure	1 646	926	2 572
Dividend declared	2 860	–	2 860

DEVELOPMENT	Quarter ended 30.6.1992 Black Reef	Quarter ended 30.6.1992 Kimberley Reef	Quarter ended 31.3.1992 Black Reef	Quarter ended 31.3.1992 Kimberley Reef	6 months ended 30.6.1992 Black Reef	6 months ended 30.6.1992 Kimberley Reef
Advanced (m)	305	1 295	207	1 391	512	2 686
Advanced on reef (m)	219	833	76	783	295	1 616
Sampled (m)	213	803	66	731	279	1 534
Channel width (cm)	112	13	148	11	120	12
Average value – gold (g/t)	19,7	45,4	14,0	19,4	18,1	33,6
– (cm.g/t)	2 210	589	2 062	221	2 172	403

REMARKS

- Estimated capital expenditure for the next six months – R0,8 million.
- Hedging profits of R583 000 from the forward sale of 5 081 ounces of gold are included in working revenue. Contracts for 12 715 ounces are still outstanding at an average price of R32 414 per kilogram.
- Interim Dividend No 107 of 25 cents per stock unit was declared.

STILFONTEIN Gold Mining Company Limited

Company Registration No. 05/33412/06

Surface dump operation downsized

Issued capital – 13 062 920 shares of 50 cents each.

OPERATING RESULTS	Quarter ended 30.6.1992	Quarter ended 31.3.1992	6 months ended 30.6.1992
Mined (m²)	–	1 544	1 544
Ore milled – underground (t)	–	7 000	7 000
– surface dumps (t)	420 000	506 000	926 000
– total (t)	420 000	513 000	933 000
Yield – underground (g/t)	–	8,4	8,4
– surface dumps (g/t)	0,9	0,9	0,9
– combined (g/t)	0,9	1,0	1,0
Gold produced (kg)	387	513	900
Working revenue (R/kg)	32 315	32 559	32 454
Working costs (R/kg)	35 783	41 101	38 814
(R/t milled)	32,97	41,10	37,44
Working loss (R/kg)	3 468	8 542	6 360
Gold price received (R/kg)	32 281	32 471	32 378
($/oz)	348	358	353
FINANCIAL RESULTS (R'000)			
Working revenue	12 506	16 703	29 209
Working costs	12 631	17 051	29 682
Retrenchment costs	1 217	4 034	5 251
Working loss	1 342	4 382	5 724
Sundry income – net	1 019	964	1 983
Tribute payments – net	30	135	165
Income/(loss) before taxation and State's share of income	(353)	(3 553)	(3 906)
Taxation and State's share of income	–	–	–
Dividend received – Chemwes	5 000	–	5 000
Income/(loss) after taxation and State's share of income	4 647	(3 553)	1 094
Capital recoupment	743	1 057	1 800

REMARKS

- Estimated capital expenditure for the next six months – Nil.
- Only tonnage from the surface dumps was treated during this quarter.
- Hedging profits of R360 000 from the forward sale of 3 138 ounces of gold are included in working revenue. Contracts for 7 850 ounces are still outstanding at an average price of R32 414 per kilogram.
- Rehabilitation of surface areas is in progress.
- The surface dumps are now being treated at a rate of 125 000 tons per month. This results from reducing the treated size fraction to improve the recovery grade.

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 05/33934/06

Better underground yield

Issued capital – 11 000 000 ordinary shares of R1 each.
– 15 289 000 cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 30.6.1992	Quarter ended 31.3.1992	Year ended 30.6.1992
Gold			
Mined (m²)	94 609	103 911	411 516
Ore milled – underground (t)	430 000	470 000	1 847 000
– surface dumps (t)	80 000	67 000	253 000
– total (t)	510 000	537 000	2 100 000
Yield – underground (g/t)	7,2	6,4	6,6
– surface dumps (g/t)	1,0	1,1	1,1
– combined (g/t)	6,3	5,8	5,9
Gold produced (kg)	3 198	3 100	12 383
Working revenue (R/kg)	31 911	32 546	32 540
Working costs (R/kg)	30 174	30 199	30 339
(R/t milled)	189,21	174,34	178,90
Working income (R/kg)	1 737	2 347	2 201
Gold price received (R/kg)	31 905	32 503	32 470
($/oz)	348	360	357
Uranium			
Pulp treated (t)	–	–	767 000
Oxide produced (t)	–	–	104
Yield (kg/t)	–	–	0,14
FINANCIAL RESULTS (R'000)			
Gold – Working revenue	102 051	100 893	402 940
– Working costs	92 569	93 618	370 670
– Retrenchment costs	3 927	–	5 017
– Working income	5 555	7 275	27 253
Uranium – Working income/(loss)	483	(333)	(4 603)
Sundry income – net	2 993	3 287	12 284
Tribute payments – net	1 358	1 351	4 987
Income before taxation and State's share of income	7 653	8 858	29 957
Taxation and State's share of income	2 799	2 518	8 614
Share of income – Beatrix mine	1 333	1 143	4 962
Income after taxation and State's share of income	6 188	7 483	26 295
Capital expenditure	1 592	631	5 040
Dividends declared – ordinary shares	11 000	–	20 900
– preference shares	7 000	6 000	26 000
DEVELOPMENT – Vaal Reef & "C" Reef			
Advanced (m)	3 701	3 509	14 689
Advanced on reef (m)	483	378	1 480
Sampled (m)	474	380	1 440
Channel width (cm)	109	84	91
Average value			
– gold (g/t)	22,8	15,3	18,8
– (cm.g/t)	2 481	1 277	1 701
– uranium (kg/t)	–	–	0,419
– (cm.kg/t)	–	–	33,25

REMARKS

- Estimated capital expenditure for the next six months – R4,8 million.
- 534 employees were retrenched during the quarter.
- Hedging profits of R2 983 000 from the forward sale of 26 000 ounces of gold are included in working revenue. Contracts for 85 075 ounces are still outstanding at an average price of R32 414 per kilogram.
- Final dividends No 70 of 100 cents per ordinary share and No 17 of R7 million in respect of the cumulative preference shares have been declared.
- A campaign of selective mining to improve the grade is now showing good results and will continue to be pursued.

Beatrix mine

(A division of Buffelsfontein Gold Mining Company Limited)

Better development values

In terms of an agreement, 16 percent of the distributable income from the Beatrix mine is attributable to Buffelsfontein and 84 percent to Beatrix Mines Limited.

OPERATING RESULTS	Quarter ended 30.6.1992	Quarter ended 31.3.1992	Year ended 30.6.1992
Mined (m²)	121 174	109 028	458 190
Ore milled (t)	512 000	511 000	2 043 000
Yield (g/t)	6,0	6,0	6,0
Gold produced (kg)	3 072	3 064	12 317
Working revenue (R/kg)	32 022	32 591	32 696
Working costs (R/kg)	22 408	22 469	22 405
(R/t milled)	134,45	134,73	135,08
Working income (R/kg)	9 614	10 122	10 291
Gold price received (R/kg)	32 027	32 552	32 669
($/oz)	347	360	358
FINANCIAL RESULTS (R'000)			
Working revenue	98 372	99 858	402 717
Working costs	68 837	68 845	275 964
Working income	29 535	31 013	126 753
Sundry income – net	2 459	2 225	9 112
Royalty payments – Beatrix Mines Limited	14 756	14 979	60 408
Income before taxation and State's share of income	17 238	18 259	75 457
Taxation and State's share of income	5 659	7 327	29 279
Income after taxation and State's share of income	11 579	10 932	46 178
Capital appropriation	1 845	2 320	8 974
Dividends on preference shares	7 000	6 000	26 000
DEVELOPMENT – Beatrix Reef			
Advanced (m)	8 403	8 168	34 547
Advanced on reef (m)	2 253	2 157	9 444
Sampled (m)	2 181	2 172	9 549
Channel width (cm)	51	53	51
Average value – gold (g/t)	20,2	15,8	16,6
– (cm.g/t)	1 036	835	847

REMARKS

- Estimated capital expenditure for the next six months – R4,5 million.
- Hedging profits of R2 863 000 from the forward sale of 24 955 ounces of gold are included in working revenue. Contracts for 82 450 ounces are still outstanding at an average price of R32 414 per kilogram.

WELTEVREDEN Mines Limited

Company Registration No. 70/14467/06

Mine placed on care and maintenance

Issued capital – 5 000 000 shares of 1 cent each.

PROJECT PROGRESS

The price of gold is now some 41 percent lower than that envisaged when the project was originally undertaken, and the project is not profitable at the current price. In view of this it has been decided to place the mine on a care and maintenance basis.

WEST RAND Consolidated Mines Limited

Company Registration No. 01/01978/06

Plant clean-up operations started

Issued capital – 4 250 000 ordinary shares of R1 each.
– 25 000 deferred shares of R2 each.

OPERATING RESULTS	Quarter ended 30.6.1992	Quarter ended 31.3.1992	6 months ended 30.6.1992
Mined (m²)	18 132	32 182	50 314
Ore milled – underground (t)	43 000	99 000	142 000
– surface dumps (t)	13 000	83 000	96 000
– total (t)	56 000	182 000	238 000
Yield – underground (g/t)	5,8	4,2	4,7
– surface dumps (g/t)	2,4	0,5	0,8
– combined (g/t)	5,0	2,5	3,1
Gold produced (kg)	281	460	741
Working revenue (R/kg)	31 932	32 670	32 390
Working costs (R/kg)	54 214	40 185	45 505
(R/t milled)	272,04	101,57	141,68
Working loss (R/kg)	22 282	7 515	13 115
Gold price received (R/kg)	31 930	32 615	32 355
($/oz)	344	357	352
FINANCIAL RESULTS (R'000)			
Working revenue	8 973	15 028	24 001
Working costs	11 670	18 485	30 155
Retrenchment costs	3 564	–	3 564
Working loss	6 261	3 457	9 718
Sundry income – net	774	989	1 763
Tribute and royalty payments – net	(110)	110	–
Income/(loss) before taxation	(5 377)	(2 578)	(7 955)
Taxation	–	–	–
Income/(loss) after taxation	(5 377)	(2 578)	(7 955)
Capital recoupment	42	15	57
DEVELOPMENT			
Advanced (m)	76	796	872
Advanced on reef (m)	40	553	593
Sampled (m)	36	303	339
Channel width (cm)	42	71	66
Average value – gold (g/t)	14,4	8,8	9,1
– (cm.g/t)	604	623	621

REMARKS

- Estimated capital expenditure for the next six months – Nil.
- Underground mining operations have been substantially reduced and 1 294 employees were retrenched.
- Hedging profits of R240 000 from the forward sale of 2 092 ounces of gold are included in working revenue. Contracts for 5 235 ounces are still outstanding at an average price of R32 414 per kilogram.
- Three independent parties have expressed interest in making an offer to acquire the property. They are presently carrying out their due diligence investigations.
- As a result of the limited tonnage from underground, the plant clean-up has started.

UNISEL Gold Mines Limited

Company Registration No. 72/10604/06

Increased Jurgenshof production

Issued capital – 28 000 000 shares of no-par value.

OPERATING RESULTS	Quarter ended 30.6.1992	Quarter ended 31.3.1992	9 months ended 30.6.1992
Mined (m²)	45 720	39 368	119 536
Ore milled (t)	209 000	195 000	584 000
Yield (g/t)	6,2	6,6	6,4
Gold produced (kg)	1 290	1 289	3 732
Working revenue (R/kg)	32 002	32 556	32 403
Working costs (R/kg)	28 244	27 367	28 061
(R/t milled)	174,33	180,90	179,32
Working income (R/kg)	3 758	5 189	4 342
Gold price received (R/kg)	32 014	32 527	32 194
($/oz)	348	360	356
FINANCIAL RESULTS (R'000)			
Working revenue	41 282	41 965	120 927
Working costs	36 435	35 276	104 723
Working income	4 847	6 689	16 204
Sundry income – net	525	(12)	697
Milling fee and royalty payments	1 816	1 729	5 049
Income before taxation and State's share of income	3 556	4 948	11 852
Taxation and State's share of income	434	459	1 115
Income after taxation and State's share of income	3 122	4 489	10 737
Capital expenditure	2 098	3 763	8 477
Dividend declared	–	1 400	1 400

DEVELOPMENT	Quarter ended 30.6.1992 Basal Reef	Quarter ended 30.6.1992 Middle Reef	Quarter ended 31.3.1992 Basal Reef	Quarter ended 31.3.1992 Middle Reef	9 months ended 30.6.1992 Basal Reef	9 months ended 30.6.1992 Middle Reef
Advanced (m)	3 044	47	2 916	–	8 843	47
Advanced on reef (m)	388	34	378	–	1 114	34
Sampled (m)	420	38	390	–	1 164	38
Channel width (cm)	110	138	100	–	113	138
Average value						
– gold (g/t)	6,3	10,2	5,7	–	5,9	10,2
– (cm.g/t)	692	1 411	572	–	665	1 411

REMARKS

- Estimated capital expenditure for the next six months – R3,5 million.
- Following the development programme, stoping production in the Jurgenshof area has been increased to 20 000 tons per month.
- Hedging profits of R1 200 000 from the forward sale of 10 460 ounces of gold are included in working revenue. Contracts for 26 180 ounces are still outstanding at an average price of R32 414 per kilogram.

ST. HELENA Gold Mines Limited

Company Registration No. 05/20743/06

Reorganisation completed

Issued capital – 9 625 000 ordinary shares of R1 each.
– 3 825 035 'A' cumulative preference shares of R1 each.
– 3 825 035 'B' cumulative preference shares of R1 each.
– 2 485 000 'C' cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 30.6.1992	Quarter ended 31.3.1992	6 months ended 30.6.1992
Mined (m²)	61 131	65 797	126 928
Ore milled (t)	319 000	350 000	669 000
Yield (g/t)	6,4	6,0	6,2
Gold produced (kg)	2 050	2 102	4152
Working revenue (R/kg)	32 190	32 558	32 376
Working costs (R/kg)	30 757	30 568	30 661
(R/t milled)	197,68	183,53	190,29
Working income (R/kg)	1 433	1 990	1 715
Gold price received (R/kg)	32 190	32 498	32 054
($/oz)	349	360	355
FINANCIAL RESULTS (R'000)			
Working revenue	65 989	68 436	134 425
Working costs	60 386	64 253	124 639
Retrenchment costs	2 666	–	2 666
Working income	2 937	4 183	7 120
Sundry income – net	6 887	4 552	11 439
Income before taxation and State's share of income	9 824	8 735	18 559
Taxation and State's share of income	2 870	2 092	4 962
Attributable to ordinary shareholders	6 954	6 643	13 597
Capital expenditure	236	1 829	2 065
Dividend declared – ordinary shares	9 625	–	9 625

DEVELOPMENT	Quarter ended 30.6.1992 Basal Reef	Quarter ended 30.6.1992 Leader Reef	Quarter ended 31.3.1992 Basal Reef	Quarter ended 31.3.1992 Leader Reef	6 months ended 30.6.1992 Basal Reef	6 months ended 30.6.1992 Leader Reef
Advanced (m)	2 517	358	2 982	401	5 493	758
Advanced on reef (m)	397	226	406	297	803	523
Sampled (m)	360	258	414	294	774	552
Channel width (cm)	123	191	123	148	123	168
Average value – gold (g/t)	8,6	2,4	8,4	3,5	8,5	2,9
– (cm.g/t)	1 060	460	1 033	523	1 046	494

REMARKS

- Estimated capital expenditure for the next six months – R3,0 million.
- 1 100 employees have been retrenched as a result of the reorganisation necessitated by the lower gold price.
- Treatment of slimes by Free State Consolidated Gold Mines (Operations) Limited yielded a profit of R1,3 million for the quarter.
- Hedging profits of R1 820 000 from the forward sale of 16 738 ounces of gold are included in working revenue. Contracts for 41 900 ounces are still outstanding at an average price of R32 414 per kilogram.
- Interim Dividend No 74 of 100 cents per ordinary share was declared.

Oryx mine

(A division of St. Helena Gold Mines Limited)

Shaft sinking nearing completion

OPERATING RESULTS	Quarter ended 30.6.1992	Quarter ended 31.3.1992	6 months ended 30.6.1992
Ore milled (t)	67 000	89 500	156 500
Gold produced (kg)	95	94	189
FINANCIAL RESULTS (R'000)			
Net income before taxation	295	426	721
Capital expenditure	90 330	83 790	174 120

REMARKS

- The subvertical ventilation shaft, which was equipped and commissioned in the December quarter, has operated well in its temporary use for hoisting development rock, whilst sinking of the main subshaft continues.
- The subvertical main shaft, at 1 279,5 metres below collar, is within 50 metres of its final depth. 25 Level station excavation is in progress.

WINKELHAAK Mines Limited

Company Registration No. 55/03608/06

Shaft project shelved

Issued capital – 12 180 000 shares of R1 each.

OPERATING RESULTS	Quarter ended 30.6.1992	Quarter ended 31.3.1992	9 months ended 30.6.1992
Mined (m²)	112 528	105 399	327 990
Ore milled (t)	479 000	459 000	1 418 000
Yield (g/t)	6,4	6,3	6,2
Gold produced (kg)	3 043	2 904	8 807
Working revenue (R/kg)	32 171	32 694	32 515
Working costs (R/kg)	26 848	27 169	26 905
(R/t milled)	170,54	171,89	167,10
Working income (R/kg)	5 325	5 526	5 610
Gold price received (R/kg)	32 014	32 578	32 382
($/oz)	348	362	357
FINANCIAL RESULTS (R'000)			
Working revenue	97 897	94 943	286 361
Working costs	80 831	78 898	238 091
Retrenchment costs	860	–	860
Working income	16 206	16 045	49 410
Sundry income – net	1 914	2 976	13 947
Income before taxation and State's share of income	18 120	19 021	63 357
Taxation and State's share of income	2 331	2 367	9 398
Income after taxation and State's share of income	15 789	16 654	53 959
Capital appropriation	(3 474)	16 087	44 250
Dividend declared	–	–	–
DEVELOPMENT – Kimberley Reef			
Advanced (m)	5 985	4 916	15 698
Advanced on reef (m)	1 186	937	3 180
Sampled (m)	1 232	984	3 106
Channel width (cm)	131	110	114
Average value – gold (g/t)	12,8	15,3	13,7
– (cm.g/t)	1 678	1 681	1 555

REMARKS

- Estimated capital expenditure for the next six months – R18,4 million.
- The feasibility study of the possibility of deepening No 6 Shaft to access the lower part of the ore reserve has been completed.

  Although this will be more cost effective than a subvertical shaft, the project would not yield an acceptable rate of return at the present gold price and has been shelved.

  Low-cost methods of accessing some of the deeper reserves to maintain current production levels are now being investigated.
- Hedging profits of R2 846 000 from the forward sale of 24 806 ounces of gold are included in working revenue. Contracts for 62 080 ounces are still outstanding at an average price of R32 414 per kilogram.
- Capital appropriated includes a recoupment of R18,9 million from the sale of two winders.

BRACKEN Mines Limited

Company Registration No. 59/01126/06

Shaft pillar out

Issued capital – 14 000 000 shares of 90 cents each.

OPERATING RESULTS	Quarter ended 30.6.1992	Quarter ended 31.3.1992	9 months ended 30.6.1992
Mined (m²)	9 584	16 869	43 125
Ore milled (t)	40 000	54 500	161 500
Yield (g/t)	12,5	8,2	8,4
Gold produced (kg)	500	449	1 360
Working revenue (R/kg)	32 210	33 459	32 927
Working costs (R/kg)	26 088	25 403	26 232
(R/t milled)	326,10	209,28	220,90
Working income (R/kg)	6 122	8 056	6 695
Gold price received (R/kg)	31 946	32 632	32 368
($/oz)	349	363	357
FINANCIAL RESULTS (R'000)			
Working revenue	16 105	15 023	44 781
Working costs	9 867	10 714	31 643
Retrenchment costs	3 177	692	4 032
Working income	3 061	3 617	9 106
Sundry income – net	1 307	1 155	3 402
Tribute and royalty payments – net	20	21	55
Income before taxation and State's share of income	4 348	4 751	12 453
Taxation and State's share of income	2 409	2 244	6 488
Income after taxation and State's share of income	1 939	2 507	5 965
Capital expenditure/(recoupment)	(101)	164	(40)
Dividend declared	–	2 800	2 800
DEVELOPMENT – Kimberley Reef			
Advanced (m)	16	24	68
Advanced on reef (m)	–	11	32
Sampled (m)	–	11	32
Channel width (cm)	–	14	13
Average value – gold (g/t)	–	145,4	112,3
– (cm.g/t)	–	2 035	1 433

REMARKS

- Estimated capital expenditure for the next six months – Nil.
- The shaft pillar extraction programme has been successfully completed. Mining is now limited to a few high-grade remnants.
- Hedging profits of R463 000 from the forward sale of 4 035 ounces of gold are included in working revenue. Contracts for 10 100 ounces are still outstanding at an average price of R32 414 per kilogram.

LESLIE Gold Mines Limited

Company Registration No. 59/01124/06

Yield improves

Issued capital – 16 000 000 shares of 65 cents each.

OPERATING RESULTS	Quarter ended 30.6.1992	Quarter ended 31.3.1992	9 months ended 30.6.1992
Mined (m²)	27 567	29 211	85 911
Ore milled (t)	100 500	100 500	304 500
Yield (g/t)	5,6	5,3	5,3
Gold produced (kg)	555	531	1 602
Working revenue (R/kg)	32 732	32 893	32 844
Working costs (R/kg)	30 034	29 831	30 450
(R/t milled)	165,86	157,61	160,20
Working income (R/kg)	2 698	3 062	2 394
Gold price received (R/kg)	32 012	32 599	32 382
($/oz)	348	362	357
FINANCIAL RESULTS (R'000)			
Working revenue	18 166	17 468	52 616
Working costs	16 448	15 840	48 457
Retrenchment costs	221	–	324
Working income	1 497	1 628	3 835
Tribute and royalty payments – net	50	46	96
Sundry income – net	784	886	2 310
Income before taxation and State's share of income	2 231	2 468	6 049
Taxation and State's share of income	614	529	1 542
Income after taxation and State's share of income	1 617	1 937	4 507
Capital expenditure	668	797	1 953
Dividend declared	–	800	800
DEVELOPMENT – Kimberley Reef			
Advanced (m)	1 307	1 091	3 398
Advanced on reef (m)	335	274	925
Sampled (m)	329	270	902
Channel width (cm)	61	72	72
Average value – gold (g/t)	17	13,6	14,1
– (cm.g/t)	1 040	975	1 014

REMARKS

- Estimated capital expenditure for the next six months – R1,0 million.
- Hedging profits of R514 000 from the forward sale of 4 483 ounces of gold are included in working revenue. Contracts for 11 220 ounces are still outstanding at an average price of R32 414 per kilogram.

KINROSS Mines Limited

Company Registration No. 63/06226/06

Steady performance

Issued capital – 18 000 000 stock units of R1 each.

OPERATING RESULTS	Quarter ended 30.6.1992	Quarter ended 31.3.1992	9 months ended 30.6.1992
Mined (m²)	104 595	102 129	309 582
Ore milled (t)	475 000	470 000	1 416 000
Yield (g/t)	6,5	6,4	6,4
Gold produced (kg)	3 090	3 005	9 097
Working revenue (R/kg)	32 295	32 640	32 518
Working costs (R/kg)	23 998	24 243	24 107
(R/t milled)	156,12	155,00	154,87
Working income (R/kg)	8 297	8 397	8 411
Gold price received (R/kg)	32 287	32 627	32 458
($/oz)	351	364	358
FINANCIAL RESULTS (R'000)			
Working revenue	99 793	98 083	295 819
Working costs	74 155	72 849	219 298
Working income	25 638	25 234	76 521
Sundry income – net	4 134	4 235	12 694
Tribute and royalty payments – net	552	1 591	2 767
Income before taxation and State's share of income	29 220	27 878	86 348
Taxation and State's share of income	8 375	8 416	26 201
Income after taxation and State's share of income	20 845	19 462	60 147
Capital expenditure	8 772	8 997	26 632
Dividend declared	–	20 700	20 700
DEVELOPMENT – Kimberley Reef			
Advanced (m)	4 639	4 622	14 108
Advanced on reef (m)	1 202	1 400	3 952
Sampled (m)	1 152	1 416	3 870
Channel width (cm)	41	34	37
Average value – gold (g/t)	16,5	24,2	19,6
– (cm.g/t)	672	833	724

REMARKS

- Estimated capital expenditure for the next six months – R17,6 million.
- Hedging profits of R2 890 000 from the forward sale of 25 100 ounces of gold are included in working revenue. Contracts for 62 830 ounces are still outstanding at an average price of R32 414 per kilogram.

NOTES

1. On 15 July 1992 dividends were declared by certain of the abovementioned companies, payable to members registered at the close of business on 31 July 1992.

   The registers of members of those companies will be closed from 3 August 1992 to 14 August 1992, both days inclusive.

   The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 28 August 1992, or the first day thereafter on which a rate of exchange is available.

   Dividend warrants will be posted on 11 September 1992.

   In the case of non-resident shareholders, taxation of 15 percent will be deducted.

   The full conditions of payment may be inspected at or obtained from the registered office.

2. Development values represent actual results of sampling. No allowance has been made for any adjustments which may be necessary when estimating ore reserves.

3. All financial figures are unaudited.

By order of the respective boards
General Mining, Metals and Minerals Limited
Secretaries
per: D J D Ross
Manager: Administration and Secretarial Services

Johannesburg, 15 July 1992

Transfer offices
South Africa:
Central Registrars Limited
154 Market Street, Johannesburg 2001
(PO Box 4844, Johannesburg 2000)

United Kingdom:
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Registered and head office
General Mining Building
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30 Ely Place
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Copies available from London Office

GENMIN GROUP

INTERNATIONAL COMPANIES AND FINANCE

General Dynamics profits at $65m

By Martin Dickson in New York

GENERAL Dynamics, the US defence contractor which is selling off peripheral businesses, yesterday reported second-quarter earnings of $65m from continuing operations, up from $33m in the same period of last year.

The 1991 figure excluded a $140m gain from a tax adjustment, which pushed last year's income figure up to $173m.

The company sold its Cessna business aircraft operations in the first quarter of this year, and is in the process of selling other businesses with combined turnover of some $2bn.

It recently completed a tender offer in which it will spend $957m to buy back shares from investors. The plan involves returning to shareholders the excess cash being generated by the disposal programme.

The company's results from continuing operations worked through to earnings of $1.48 a share, compared with 77 cents in 1991 without the tax gain, and $4.06 with the gain. Sales in both periods totalled $1.6bn.

Earnings from the businesses up for sale, which are not included in continuing operations, totalled $21m, compared with $38m a year ago. However, the 1991 total included $17m from the now-sold Cessna.

The company's tactical military aircraft operations recorded operating earnings of $49m, up from $45m, while nuclear submarines made $21m, compared with $30m; armoured vehicles $28m, against $25m; and space launch systems made a reduced loss of $7m, compared with $25m.

The figures were also helped by the first-quarter retirement of $350m in debt, with net interest outgoings of $12m last year becoming a $7m inflow this quarter.

US pulp and paper group breaks even for quarter

By Martin Dickson

GEORGIA-PACIFIC, the US forest products group, has reported break-even results for the second quarter, with a sharp drop in pulp and paper profits partly offset by a big rise in lumber income.

The company announced earlier this month that its results would be "slightly better than break-even". This proved worse than analysts' expectations and produced a drop in its share price.

The break-even figure, compared with net income of $29m, or 34 cents a share, in the second quarter of last year when the company was helped by a $29m after-tax gain on the sale of forests. Sales for the latest quarter, at $3bn, were unchanged from last year.

The building products side reported operating profits of $163m, up from $132m, while paper and pulp dropped from $105m to $42m.

Mr Marshall Hahn, chairman, said although pulp prices and demand had continued to improve, the company's communication papers, tissue and bleached board businesses continued to face excess capacity and depressed prices. Demand remained strong in container board.

For the six months, the company reported net income of $5m, or 6 cents a share, on sales of $5.88bn, against a net loss of $44m, or 51 cents, last year on sales of $5.76bn.

Sprint improves despite costs

By Martin Dickson

SPRINT, the third-largest US long-distance telephone company, yesterday reported a 6 per cent increase in second-quarter net income. The improvement came despite a sharp drop in profits from its long-distance business because of new product marketing.

The company reported net income of $94m, or 43 cents a share, on revenues of $2.28bn, compared with income of $89m, or 41 cents, on sales of $2.21bn, in the same period of last year

However, its long-distance income totalled $45m on revenues of $1.38bn, down from $73m on revenues of $1.36bn last year. Long-distance time bought increased by 3.3 per cent.

Mr William Esrey, chairman, blamed the profits decline on increased sales, marketing, and advertising expenses in the launch of three new products, aimed mainly at the residential and small business markets.

Those products, in turn, reflect the intense competition for market share between Sprint and its larger long-distance rivals, AT&T and MCI.

Sprint's local telephone operations, which are shielded from full competition, reported a 7 per cent increase in operating income, from $166m to $178m, on revenues up from $696m to $743m. The company said access lines had grown at an annual rate of 3.5 per cent during 1992.

The company's other businesses produced operating income of $16m on revenues of $219m, up from $15m on revenues of $217m.

For the first half, Sprint reported net income of $230m, or $1.05 a share, up from $173m, or 79 cents, in the first half of last year.

The 1992 figure was helped by an accounting change worth 17 cents a share. Excluding that, net income was up 12 per cent. Revenues totalled $4.49bn, against $4.37bn.

TRW net result surges to $60m

By Karen Zagor in New York

TRW, the US automotive, space and information services group, yesterday posted a 48 per cent improvement in second-quarter operating income to $158m from $106m.

The company was boosted by strong gains from its automotive operations offsetting declines from its space and defence business.

Sales advanced 9 per cent in the quarter to $2.15bn from $1.98bn.

The company's net profits were muddied by special items in both years. Including one-time items, TRW had second-quarter net income of $60m, or 93 cents a fully-diluted share, against $24m, or 39 cents, a year earlier.

In the 1992 quarter, after-tax earnings were lifted by $4m, or 7 cents, from the sale of an investment. A year earlier, the company took an after-tax charge of $18m, or 29 cents, on the divestment of a European automotive business.

Wall Street reacted enthusiastically to the results, marking TRW's shares $1¼ higher to $56¼ at mid-day.

Mr Joseph Gorman, chairman and chief executive, attributed the company's earnings improvement to cost-reductions and higher sales volume on the back of investments in air bag and steering systems.

For the first half of 1992, TRW lifted net income to $101m, or $1.58, compared with $59m, or 96 cents. Sales rose 7 per cent to $4.19bn from $3.90bn while operating profits advanced 35 per cent to $295m from $219m.

TRW's automotive business brought in operating profits of $88m on sales of $1.21bn in the second quarter, compared with $31m on sales of $1.02bn a year earlier.

The space and defence segment saw operating profits slide to $55m from $62m last year on sales which edged 3 per cent lower to $742m from $764m.

Alcan's European venture called off

ALUMINUM Company of America's expansion plans in Europe were dented yesterday when it ended joint-venture talks with Alusuisse-Lonza.

The original intention was to invest SFr300m ($219m) to modernise and expand most of Alusuisse's aluminium operations in Switzerland.

Weak prices hit Reynolds Metals

By Barbara Durr in Chicago

DESPITE record shipments, weak aluminium prices continued to depress earnings at Reynolds Metals, the second-largest US aluminium group.

The company reported second-quarter net income of $33.1m, or 56 cents per share, a 46 per cent drop from last year's $61.4m, or $1.04. Revenues in the quarter ended June 30 were $1.49bn, compared with $1.52bn a year ago.

Shipments were a record 393,400 metric tons, up 3.6 per cent from 379,700 last year.

Reynolds' efforts to cut costs helped contribute to earnings in spite of the poor prices, according to Mr Richard Holder, chairman.

He said demand was up, particularly in the US, and the company and the industry were seeing strong order rates. However, prices remained weak because of continued worldwide oversupply due to recession in some countries, substantial new capacity in the industry, and CIS exports.

Mr Holder said he expected producer inventories to continue to rise moderately and for prices to remain weak through the summer. However, he believed prospects should improve in the autumn.

The company's shipments have increased for cans, consumer and packaging products, residential building materials and international fabricated products.

In the first half, net income was $46.4m, or 78 cents per share, on revenues of $2.82bn, compared with $88.9m, or $1.50, on revenues of $2.89 last year. Shipments in the first half were 727,100 metric tons, up from 701,800 a year ago.

Dun & Bradstreet net increases to $128.8m

By Karen Zagor

DUN & BRADSTREET, a leading US business information group, yesterday posted second-quarter net income of $128.8m, or 72 cents a share, compared with $119.1m, or 67 cents, a year ago.

The company has restated its 1991 results to reflect new accounting standards and the recognition of revenue for software services.

Revenues eased slightly to $1.16bn from $1.17bn, reflecting the divestiture of the communications unit of the company's IMS International division.

Revenue growth for Dun & Bradstreet's current portfolio of businesses rose about 3 per cent in the quarter.

For the first six months, the company had net income of $227m, or $1.27, against $217.5m, or $1.22 a year earlier. Operating revenue slipped to $2.27bn from $2.29bn.

The company said it expected growth for the year to exceed that of 1991, but did not expect to "get all the way to Dun & Bradstreet's long-term goals". It also expects second-half earnings per share to be stronger than in the first half in spite of the uncertain worldwide economic outlook.

Rise at American Home Products fails to please

By Karen Zagor

AMERICAN Home Products, the US pharmaceutical group, yesterday turned in second-quarter net income of $296.1m, or 94 cents a share, up 12 per cent from the previous year's earnings of $265.2m, or 84 cents.

Sales in the three months to June 30 rose 8 per cent to $1.76bn from 1.62bn.

Although sales and earnings hit record second-quarter levels, the rate of growth slowed from the first quarter, and Wall Street was disappointed with the results.

At mid-session, shares in American Home Products were $1⅛ lower at $73 in active trading.

For the first half of 1992, the company's net income rose 14 per cent to $702.4m, or $2.23, from $617.7m, or $1.96. Sales grew 11 per cent to $3.75bn from 3.38bn.

Sales growth was led by the company's pharmaceuticals operations, which saw second-quarter sales rise 12 per cent to $1.04bn.

Consumer healthcare sales advanced 7 per cent to $314.8m, while medical supplies and diagnostic products recorded sales of $195.9m, up 2 per cent in the quarter.

INTERNATIONAL COMPANIES AND FINANCE

Revised warning at Cigna hits share price

By Nikki Tait in New York

CIGNA, one of the largest composite insurers in the US, warned yesterday that its second-quarter results would be below analysts' expectations.

It gave no specific reason, and made the announcement at the instigation of the New York Stock Exchange. Cigna shares fell by $1¼ on Tuesday to $55⅛, before trading was halted. When trading resumed yesterday morning, Cigna lost another $2⅛ to $53⅜.

Analysts had already been predicting a fall in earnings, year-on-year when Cigna reports figures for the quarter on August 3. Earnings per share were forecast, on average, to be around $1.25, compared with $1.88 in the same period a year earlier.

Most pundits had expected a good performance from the life and health business, but warned that the property-casualty operations would be hit by heavy catastrophe losses – including the impact of the Los Angeles riots, the London bombings, and weather-related claims in the US.

Cigna's mortgage loan portfolio is also seen as a problem area, with the US west coast property market continuing to weaken.

Asset sales boost First American

By Alan Friedman in New York

FIRST AMERICAN Bankshares, the Washington-based bank that, according to the US Federal Reserve, was secretly and illegally controlled by the collapsed Bank of Credit and Commerce International (BCCI), announced a quarterly profit for the first time in two years.

The bank, which suffered heavy losses in 1991, said it achieved net profits of $8.2m in the three months ended June 30. This compared with a $59.3m loss a year ago.

The 1992 second-quarter results were boosted by $10.1m of gains on the sale of First American assets in Georgia and $7.4m of gains on the sale of securities.

Mr George Davis, named chief executive of First American last January, said plans for the sale of all the bank's assets were going ahead.

He said the Federal Reserve last Friday approved the bank's capital plan and its timetable for the asset sale.

Total assets of First American, which in 1991 fell from $11bn to $8.4bn, declined to $6.5bn in the first six months of 1992.

The decrease was attributed to the Georgia asset disposal, continued weak demand for loans and a lower level of investments.

The bank's total equity base, which shrank last year from $711m to $422m, declined to $398.6m by the end of last month. Deposits, which fell from $9bn to $7.1bn, slumped to $5.6bn in the first half of 1992.

The bank attributed $841.4m of the decrease to the sale of Georgia assets and the balance to the run-off of certificates of deposit.

Non-performing assets were $585m at the end of the second quarter, down from $629m at the end of last year.

The bank's trusteeship plan would implement a March 1991 Fed order that instructed BCCI to divest itself of shares in First American held by Credit & Commerce American Holdings NV (CCAH), an offshore holding vehicle that featured several nominee shareholders described by the Fed last year as "front men" for BCCI.

Controversy over First American has focused largely on state and federal investigations of Mr Clark Clifford and Mr Robert Altman, respectively the former chairman and president of the bank, who resigned last August.

Both have denied having known of BCCI's secret control of First American, although former BCCI officials have testified in the US Senate to the contrary. First American itself has not been accused of any wrongdoing.

Polaroid improves to $35.5m

By Karen Zagor in New York

POLAROID, the US photography group, unveiled a 82.5 per cent improvement in second-quarter net income to $35.5m from $26.8m a year earlier.

Polaroid's 1991 results were distorted by a pre-tax gain of $11m which was partly offset by preferred dividend payments of $10.1m.

The company retired its preferred stock towards the end of 1991, so there were no preferred dividend payments in the latest quarter.

Polaroid had primary earnings per share of 74 cents in the latest quarter against 33 cents last year.

Sales advanced 7 per cent to $557.7m from $521.4m. US sales grew 4 per cent to $300.6m, while international sales rose 11 per cent to $257.1m, due partly to a weaker US dollar.

Mr I. MacAllister Booth, Polaroid's chairman and chief executive, has not changed the company's earnings projections for the full year.

"We still believe we can meet our 1992 financial goals and deliver a level of profitability that approximates 1991's operating performance," he said.

He added that the company was tightly managing expenditures because of the uncertain and difficult worldwide economy.

Polaroid will incur higher marketing expenses when it launches two new products later this year.

The company benefited from a lower effective tax rate in the latest quarter of 34 per cent, compared with 44 per cent the previous year.

Polaroid said shipments of all of its significant product lines increased during the quarter.

For the first half, Polaroid had net income of $41.7m, or 86 cents, against $43.2m, or 46 cents in the same period of 1991. Sales rose 3 per cent to $989m.

Cuts of GM office staff start

GENERAL MOTORS said it would eliminate about 4,725 jobs in the reorganisation of its marketing, corporate communications and other corporate staff functions, Reuter reports.

The company said the cuts were part of the 9,000 white collar jobs it had planned to eliminate by the end of 1992.

It added that the job cuts and other changes were the latest big management move in the creation of GM's North American Operations (NAO), which now manages GM's North American vehicle and components operations.

GM plans to reduce its 13,500-employee central corporate by 70 per cent or 9,450 jobs.

CAE settles US military contract suit

By Robert Gibbens in Montreal

CAE Industries of Canada has settled for US$55.9m a US$231m action filed by the US government against its CAE-Link subsidiary.

CAE-Link will pay US$22.5m. BiCoastal of the US is responsible for the balance.

CAE Industries, the world's leading commercial flight simulator builder, did not admit liability in the case. The US Department of Justice claimed CAE-Link, which specialises in military systems and training, overcharged the government on contracts carried out between 1983 and 1988, and sought triple damages.

Link was owned by the former Singer Corp at the time of the alleged offences. CAE Industries bought Link in August 1988 and, in November 1989, Singer filed for US Chapter 11 bankruptcy protection and became BiCoastal.

CAE maintained it did not know of any pending lawsuits when it bought Link.

The Justice Department, as part of the settlement, agreed CAE-Link did not admit liability, legal fault or responsibility for the alleged offences.

● Senior creditors led by the Royal Bank of Canada, and owed about C$1bn (US$800m), have agreed to exchange debt for stock in a new company emerging from the restructuring of Central Capital, a fast-growing financial services group.

Healthy sales help lift Motorola 23% to $146m

By Martin Dicksonin New York

MOTOROLA, the electronics and semiconductor manufacturer, reported a 23 per cent rise in second-quarter net income, powered by strong sales increases in most of its product areas.

The company reported net income of $146m, or $1.09 a share, compared with $119m, or 90 cents, in the same period of last year. Sales rose from $2.8bn to $3.14bn.

For the six months, the company reported net income of $273m, or $2.05 a share, compared with $235m, or $1.78, on sales which rose from $5.56bn to $6.20bn.

Motorola's semiconductor products sales rose 21 per cent to $1.08bn and operating profits from the section increased.

The company said all sales regions saw strong order growth, apart from Japan.

Orders rose most rapidly in the communications, distribution, personal computer/workstation and consumer markets. In communications businesses, sales grew 11 per cent to $972m and operating profits rose.

General systems sales rose 11 per cent to $821m, but operating profits were flat. Information systems saw sales up to $160m and made a profit, against a loss a year ago.

The automotive and industrial electronics group lifted sales 8 per cent but operating profits were lower.

Motorola said it would be adopting during the fourth quarter a new accounting standard for post retiree health benefits and this was expected to entail an obligation of $190m to $300m, which would be recognised immediately.

Europe dents Maytag

MAYTAG, the US household appliance group, yesterday said deteriorating business in Europe offset improved North American sales and resulted in a slightly lower operating net for its second quarter, Reuter reports.

The group reported a net profit of $23.3m, or 22 cents a share, compared with $18.8m, or 18 cents, after a charge of $10m, or 6 cents for a plant closure.

Maytag said results were slightly lower when compared with year-ago net before the charge. Sales edged down to $770m from $778m a year ago.

The company's North American appliance group had sales of $567.4m, against $566.8m a year ago. But operating income of $46.3m was off 10 per cent because of start-up costs for a new dishwasher plant and several new electric range models, and the cost of discontinuing operations at its previous dishwasher facility.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on 18/6/92: Pool purchase price £/MWh	Final Prices for Trading on 18/6/92: Pool selling price £/MWh
0030	19.30	19.73	21.66
0100	17.94	19.69	21.58
0130	17.79	19.69	21.59
0200	17.79	19.69	21.58
0230	17.79	19.69	21.58
0300	17.79	19.59	21.58
0330	17.79	19.59	21.58
0400	17.79	19.69	21.58
0430	17.79	19.69	21.58
0500	17.79	19.69	21.58
0530	19.81	17.56	17.56
0600	19.81	17.56	17.56
0630	19.81	17.57	17.57
0700	21.76	20.06	21.97
0730	24.10	22.67	24.66
0800	24.48	23.11	25.08
0830	25.83	25.56	27.60
0900	26.64	28.00	30.09
0930	29.29	28.00	30.02
1000	29.35	29.00	29.97
1030	28.35	28.00	30.00
1100	28.57	25.81	27.75
1130	28.49	28.61	30.63
1200	28.62	32.09	34.20
1230	28.63	32.09	34.19
1300	29.47	32.09	34.20
1330	28.25	32.09	34.20
1400	28.14	25.57	27.53
1430	32.86	25.57	27.53
1500	32.86	25.57	27.52
1530	29.14	25.57	27.52
1600	28.19	28.50	30.53
1630	29.29	28.50	30.52
1700	28.31	28.50	30.50
1730	28.21	28.50	30.47
1800	28.07	28.50	30.51
1830	25.79	24.09	26.00
1900	25.18	23.38	25.80
1930	24.84	23.16	25.07
2000	24.47	22.87	24.79
2030	24.47	22.76	24.67
2100	24.47	22.75	24.53
2130	29.02	28.00	30.02
2200	29.00	28.00	29.94
2230	28.00	29.30	31.28
2300	27.90	29.30	31.41
2330	21.67	21.90	23.82
2400	21.52	19.94	21.81

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined, approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456799 between 9.30am and 5.15pm Monday to Friday.

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CORRECTION NOTICE
ISTITUTO BANCARIO SAN PAOLO DI TORINO S.P.A., LONDON BRANCH
ECU 150.000.000
FLOATING RATE DEPOSITARY RECEIPTS DUE 1997
PLEASE READ.
Amount:
XEU 54,- for the denomination of XEU 1 000
XEU 545,- for the denomination of XEU 10 000
XEU 5447,- for the denomination of XEU 100 000
THE PRINCIPAL PAYING AGENT,
SOGENAL
SOCIETE GENERALE GROUP
15, AVENUE EMILE REUTER
LUXEMBOURG

PERNOD RICARD
FRF 400.000.000
EQUITY-LINKED ZERO COUPON NOTES DUE 1996
Notice is hereby given pursuant to Condition 5 (C) (2) of the Terms and Conditions of the Notes that the following adjustment is made, effective as of 1st July 1992, as a result of the division of the nominal value of 1 share PERNOD-RICARD by 4:
"CI" means after adjustment FRF 304.25
(in lieu of FRF 1,217)
THE PRINCIPAL PAYING AGENT,
SOGENAL
SOCIETE GENERALE GROUP
15, AVENUE EMILE REUTER
LUXEMBOURG

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Beijing connection should prove to be just the ticket

Cathay Pacific's share sale to Chinese companies underlines a growing trend, writes Simon Holberton

THE purchase by Chinese companies of a further 10 per cent of Cathay Pacific underlines a growing trend in Hong Kong for owners of business franchises to seek a mainland partner.

China National Aviation Corporation, a subsidiary of China Aviation Administration Corporation (CAAC), and China Travel Service each bought a 5 per cent stake in the airline from Hongkong and Shanghai Bank for nearly HK$3.4bn (US$440m).

The deal was not about forging an all-China aviation and travel alliance, but about Cathay safeguarding its post-1997 future.

Although both companies approached Cathay about purchasing a stake in the airline, it was more than willing to act as go-between for them and Hongkong Bank. It was singularly well placed to do so as its chairman sits on the bank's board.

In spite of the Swire group's generally good relations with Beijing, Cathay – in which Swire Pacific owns a 51.8 per cent interest – has had more than its fair share of problems with CAAC. CAAC resents Cathay's pre-eminent position in Hong Kong and would dearly love to have aviation rights which would allow it to operate out of Hong Kong.

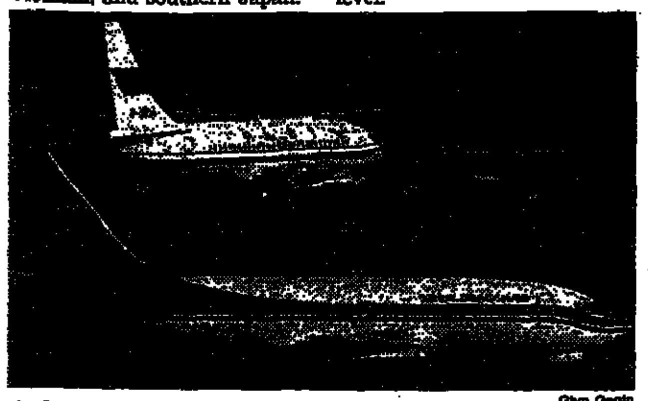
CAAC is a very powerful corporation in China, with important contacts in China's military.

It is believed to be behind the difficulties the British and Hong Kong governments are having with China over the ratification of air service agreements with third countries.

However, as one senior Cathay executive noted this week, the company hoped that CAAC's 5 per cent holding would improve co-operation and communication between the two. "We hope that it will help CAAC to accept that a successful Cathay Pacific is in their interests," he said.

Cathay's post-1997 future is underwritten by the Joint Declaration on Hong Kong which the UK and China signed in 1984. It provided for Hong Kong remaining a "centre of international and regional aviation" and said that airlines incorporated in Hong Kong "may continue to operate".

The company's fortunes depend, therefore, on the way China manages Hong Kong after 1997 and the extent to which it observes the letter and spirit of the Joint Declaration. But Swire does have good connections in China, and Cathay has forged an alliance with Beijing-controlled Citic Pacific to run Dragonair – a small carrier plying the profitable China routes, in competition with CAAC, and now branching out to Thailand, Vietnam, and southern Japan.



Cathay has forged an alliance with Citic Pacific to run Dragonair, a small carrier plying the profitable China routes — Glyn Genin

To many of the colony's leading businessmen there is no better way of safeguarding Hong Kong's future than by China having a direct commercial stake in the place.

That stake is large, and growing. It has been estimated that the mainland has invested US$10bn directly in the colony. That figure does not count its exposure to the stock market which, while unknown, is believed to be great. Next to US and British investors, mainland interest have been leading players in taking the Hang Seng index to above the 6,000 level.

In spite of the colony's free-wheeling image, many aspects of its economy are tightly regulated by the government – a government which in five years' time will be part of the People's Republic of China.

Keeping on the right side of government has therefore added piquancy in Hong Kong. Many of the old British companies in the colony are dependent on the continuing goodwill of the Chinese authorities for their survival.

Ever since Jardine Matheson shocked Hong Kong in 1984 with its decision to move its domicile to Bermuda, the large and not so large of the colony's businesses have sought refuge from an uncertain future through various ways, many involving tie-ups with Beijing-controlled entities.

Part of the reason for the Hongkong Bank's acquisition of Midland Bank was to diversify its asset base away from Hong Kong. Its headquarters are now in London and its lead regulator is there. Others have had to make their accommodations on the ground in Hong Kong.

In early 1990, Cable and Wireless sold 20 per cent of Hongkong Telecommunications – the colony's monopoly supplier of telecoms – to Beijing-owned Citic Hong Kong. In 1987, it acquired 12.5 per cent of Cathay Pacific, which it sold last year to its listed subsidiary, Citic Pacific.

Citic Pacific is run by Mr Larry Yung, the son of Citic's chairman Mr Rong Yiren – known as China's "red capitalist".

Operators of Hong Kong's container terminal have seen it in their interests to involve mainland partners in their business.

In April, Modern Terminals Limited, arranged for China Merchants to take a 15 per cent interest in the company at a cost of US$175m. In 1989, Hutchison Whampoa sold China Resources a 10 per cent interest in Hongkong International Terminals for HK$1.32bn.

Only the electricity and gas industries have been immune from this trend. Neither Hongkong Electric, which is controlled by Hutchison Whampoa, nor China Light and Power (CLP), which is controlled by the Kadoorie family, have felt the need to involve China in a direct equity participation.

However, CLP has given China something it needs: technology transfer.

It was instrumental in building China's first commercial nuclear power plant with Electricite de France at Daya Bay, north-west of Hong Kong. It also supplies Guangdong with electricity generated by its thermal power plants.

World International improves

By Simon Davies in Hong Kong

WORLD International, the Hong Kong holding company for the late Sir Yue-kong Pao's listed corporate empire, announced a 5 per cent increase in profits which totalled HK$976.5m (US$126.3m) after tax and minority interests for the year to March 1992.

This included only a nine-month contribution from 44 per cent-owned associate Wharf Holdings, the largest group company, which changed its accounting year-end from March to December. With an annualised contribution from Wharf, the parent company would have registered a 24 per cent rise in profit.

Group earnings were boosted by a strong performance from Hongkong Realty and Trust, the property development company, which announced its profits had increased by 104 per cent to HK$586m.

Retailing contributions remained weak, with luxury store operator Lane Crawford showing only marginal growth, due to the impact of the Gulf war and to increased competition from Japanese department stores and other luxury boutiques in Hong Kong.

The outlook for World is positive for the current year. Growth is expected to come from the sale of its Parc Oasis property development and from an improving retail environment.

Wharf also is expected to increase substantially its property portfolio, and it will make a full-year contribution to earnings.

World has focused on the potential for growth of the Pearl River delta.

Mr Peter Woo, chairman, said that the company had purchased a 99,000 sq ft site in central Guangzhou (Canton) for a joint venture residential and commercial development.

The company is looking at a number of other property developments across the Chinese border.

Earnings per share increased to 47.7 cents from 45.3 cents and the directors recommended a 17 per cent increase in the dividend pay-out to 24.5 cents per share, up from 21 cents.

Anglovaal advances to R48.6m

ANGLOVAAL, the South African mining company, announced a rise in combined taxed profits for its four gold mines to R48.6m ($15.4m) in the quarter ending June 30, compared with R42.3m in the preceding quarter, Reuter reports from Johannesburg.

The rise was due to improved tonnages and grades at three of the four mines, as well as cost-cutting measures.

The group's gold production rose to 10,408 kg from 10,190 kg. Loraine Gold Mines was the only mine to report a loss, which was the result of retrenchment costs of R4.8m. Hartebeestfontein was the only mine to pay tax.

Petrochemicals under pressure in South Korea

SOUTH Korea's petrochemical companies are seeing a contraction of their profits in spite of expanding capacity and a high level of exports, AP-DJ reports from Seoul.

The Trade and Industry Ministry said Korean companies exported petrochemicals worth $1.1bn in the first five months of this year, a rise of 82 per cent from $605m for the same period in 1991. The ministry hoped petrochemical exports would reach $2.4bn in 1992.

However, according to a preliminary study by Daewoo Securities, many companies, including Hanyang Chemicals and Lucky, were expected to report only small increases or a fall in earnings for the first half of the year, even though their sales were expected to rise by about 10 per cent. Dongbu Chemicals was expected to report a loss, said Mr Lee Bong-shik, a manager at Daewoo Securities.

A supply glut has forced companies to cut prices of some products to half the previous year's levels.

To compete with low-cost south-east Asian producers, Korean companies have been shipping products at prices which cover only essential costs.

Korean petrochemical companies ship 80 per cent of their exports to the south-east Asian region, where many petrochemical plants are under construction. But other south-east Asian countries are expected to restrain imports to protect their fledgling industries.

Republic of Iceland
U.S. $125,000,000
Floating Rate Notes due 2000

Holders of Floating Rates Notes of the above issue are hereby notified that for the Interest Period from 17th July, 1992 to 19th January, 1993 the following information will apply:

1. Rate of Interest: 5.25% per annum
2. Interest Amount payable on Interest Payment Date: US $271.25 Per US $10,000 Nominal or US $6,781.25 Per US $250,000 Nominal
3. Interest Payment Date: 19th January, 1993

Agent Bank
Bank of America International Limited

Notice to Holders
of
Putable Capital Notes
of
Republic New York Corporation

Holders of the Putable Capital Notes, of Republic New York Corporation are hereby notified of the resignation of Bankers Trust Company, as Trustee under the Indenture, dated as of January 15, 1987, as supplemented and restated as of December 1, 1988, pursuant to which such Holders' Notes were issued and are outstanding.

Republic New York Corporation has appointed Citibank, N.A., as Successor Trustee under the Indenture, which appointment has been accepted and will become effective as of the opening of business on August 14, 1992 (the "Effective Date").

Holders are further notified of the resignation of Bankers Trust Company (New York City and London), Banque Indosuez Luxembourg (Luxembourg), Swiss Bank Corporation (Basle) and Banque Indosuez Belgique S.A. (Brussels) as paying agencies effective at the opening of business on the Effective Date. Republic New York Corporation has appointed Citibank, N.A. (New York City, London and Brussels), Citicorp Investment Bank (Luxembourg) S.A. (Luxembourg), and Citicorp Bank (Switzerland) (Zurich) as replacement paying agencies, which appointments have been accepted and will become effective at the opening of business on the Effective Date.

The Corporate Trust Office of Citibank, N.A. is located at 120 Wall Street, 13th Floor, New York, New York 10043, except that: (1) with respect to the (a) presentation of Registered Securities for payment, (b) presentation of Registered or Bearer Securities for registration of transfer and exchange for Registered Securities, (c) delivery of Capital Securities Election Forms and Put Election Forms with respect to Registered Securities, together with such Registered Securities, and (d) location of the Security Register, such office is located at 111 Wall Street, 5th Floor Securities Window, New York, New York 10043, Attention: Corporate Trust Services; and (2) with respect to the (a) presentation or surrender of Bearer Securities, coupons and talons for payment or exchange and (b) delivery of Capital Securities Election Forms and Put Election Forms with respect to Bearer Securities, together with such Bearer Securities, the agency offices are located at the following addresses:

Citibank, N.A.
Citibank House
336 Strand
London WC2R 1HB
England

Citibank, N.A.
Avenue de Tervueren, 249
B1150 Brussels
Belgium

Citicorp Investment Bank (Luxembourg) S.A.
16, Avenue Marie Therese
Luxembourg

Citicorp Bank (Switzerland)
63, Bahnhofstrasse
CH8021 Zurich
Switzerland

Republic New York Corporation
425 Fifth Avenue
New York, New York 10018

NOTICE TO THE HOLDERS OF THE 1.000.000 CALL WARRANTS SGA
SOCIETE GENERALE ACCEPTANCE N.V.
ISSUED ON JUNE 3, 1991
TO ACQUIRE FRENCH FOOD COMPANIES BASKETS OF SHARES
BSN, PERNOD-RICARD, SAINT LOUIS AND SOURCE PERRIER

Notice is hereby given pursuant to Condition 9 of the Terms and Conditions of the Warrants that the following adjustments are made, effective as of 1st July 1992, as a result of the division of the nominal value of 1 share PERNOD-RICARD by 4.

The new definition of the basket, according to Condition 1 of the Terms and Conditions of the Warrants is adjusted as follows: Basket means a set of securities consisting of four components being: 5 shares of Groupe BSN, 3 shares of SAINT LOUIS, 3 shares of SOURCE PERRIER (unchanged) and 12 shares of PERNOD-RICARD (in lieu of 3 shares).

The exercise of fifty warrants will entitle a warrantholder to purchase the new basket of shares hereabove described upon payment of the Denominated Amount of FRF 14.970 (unchanged)

THE WARRANT AGENT,
SOGENAL
SOCIETE GENERALE GROUP
15, AVENUE EMILE REUTER
LUXEMBOURG

Alaska Housing Finance Corporation
U.S. $125,000,000
Floating Rate Notes due July 2001

Notice is hereby given that the Rate of Interest has been fixed at 3.725% p.a. and that the interest payable for the current Interest Period 17th July, 1992 to 19th January, 1993 on the relevant Interest Payment Date 19th January, 1993 in respect of U.S.$10,000 nominal of the notes will be U.S.$192.48.

Agent Bank
Bank of America International Limited

16th July, 1992.

REPOLA LTD
(formerly in the name of United Paper Mills)
US$ 100,000,000 Floating Rate Notes Due 1995
Notice is hereby given that the Rate of Interest has been fixed at 3.8375% and that the interest payable on the relevant Interest Payment Date January 19, 1993 against Coupon No. 6 in respect of US$100,000 nominal of the Notes will be US$1,993.37.
July 16, 1992, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

INTERNATIONAL DEPOSITARY RECEIPTS
REPRESENTING SHARES PAR VALUE $2.50 COMMON STOCK
J.P. MORGAN & CO. INCORPORATED

A cash distribution of $0.545 per Depositary share will be payable on or after the 22nd July 1992 upon presentation of Coupon No. 89 at:-

Morgan Guaranty Trust Company
of New York
35 Avenue Des Arts
1040 Brussels

Banque Internationale à Luxembourg
2 Boulevard Royal
2953 Luxembourg

At the designated rate less applicable taxes.

This distribution is in respect of the regular quarterly dividend payable on the common shares P.V. $2.50 J.P. Morgan & Co. Incorporated on 15th July 1992.

All eyes on Bundesbank as markets weaken

By Richard Waters in London and Patrick Harverson in New York

EUROPEAN bond markets seemed poised yesterday for a strong finish to the week if the Bundesbank decides not to raise Germany's key Lombard rate at its council meeting today. The UK government bond market could be the biggest gainer, according to a broad range of economists and traders.

GOVERNMENT BONDS

Yesterday, though, the hatches stayed firmly battened down as traders awaited this morning's Bundesbank council meeting, with gilts suffering another bad case of jitters. Other European bond markets remained in the doldrums, waiting for fears of a hike in the Lombard rate – or some other drastic tightening in monetary policy – to be dispelled.

Most observers by yesterday had largely ruled out the prospect of an immediate increase in the Lombard rate, the emergency funding rate for banks which is seen internationally as the key determinant of German monetary conditions. However, views remained mixed on the authorities' likely stance on two other options: a rise in the 8 per cent discount rate, which sets the floor for money market rates, and a cut in the DM70bn quota for banks to sell bills at the discount rate.

German money market rates crept up yesterday at the latest weekly repurchase tender, though this was put down to technical factors and strong bidding for funds rather than to any policy signal by the authorities. On Liffe, the bund futures contract edged down to 87.72 from 87.74 in a moderately busy day, as cash bunds also remained paralysed in a narrow range.

■ THE UK government bond market, which had recovered some of its composure on Tuesday, slid again yesterday as traders positioned themselves for the worst from Germany. The short gilt contract on Liffe lost around ¼ of a point to trade by the close at 89.77, a signal that the market expects the UK base rate to creep back above its current 10 per cent level. Longer-dated gilts also reflected the nerves, with the benchmark 9 per cent bonds due 2008 losing ¼ of a point to finish at 101⅝, a yield of 8.85 per cent.

■ FRENCH government bond prices also slipped as traders returned from the long Bastille Day holiday, shrugging off encouraging news that inflation had slowed to 0.1 per cent in June. Prices fell to match losses in bunds this week. The sale tomorrow of FFr11bn-FFr13bn of two and five-year notes (BTANs) also left the market feeling bearish. The benchmark 8.5 per cent OAT due 2002 slipped 0.15 of a point to a yield of 8.81 per cent, a spread over bunds of around 80 basis points.

■ US Treasury prices rose sharply yesterday in the wake of the first monthly decline in industrial production since February.

In late trading, the benchmark 30-year government bond, which has recently lagged behind the short end, was ⅜ higher at 104⅛, yielding 7.626 per cent. The two-year note was also firmer, up ⅛ at 101⅞, yielding 4.209 per cent.

Although the 0.3 per cent decline in industrial production and the 0.4 percentage point drop in capacity utilisation in June matched market forecasts, the figures provided additional support for market sentiment because they confirmed what June's employment report suggested – that the economic recovery has been extremely weak.

Economists were quick to warn that production levels would remain sluggish in the coming months due to poor growth in factory orders and relatively high inventory levels.

In the credit markets, the Federal Reserve added reserves to the system through $1.5bn in customer repurchase agreements in an attempt to counter the slight firmness of Fed funds, which were trading at 3⅝ per cent, slightly higher than the Fed's target of 3¼ per cent.

■ PROFIT-taking wiped out some of the recent gains in Japanese government bonds, despite an improvement in early trading in Tokyo. Data on industrial output (down 1.9 per cent in May) and bankruptcies (up 30 per cent in June) gave further evidence of economic weakening. But the official line on the lack of need for a discount rate cut remained unchanged. The yield on the benchmark bond No 129, which opened at 5.19 per cent, fell to 5.15 per cent before climbing to 5.22 in late trade.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.7594	+0.418	8.83	8.73	8.78
BELGIUM		9.000	06/01	100.8500	+0.150	8.85	8.81	8.94
CANADA *		8.500	04/02	104.6300	+0.500	7.82	7.76	8.14
DENMARK		9.000	11/00	99.2700	-0.130	9.11	9.00	9.02
FRANCE	BTAN	8.500	03/97	97.5874	-0.128	9.13	8.97	9.02
	OAT	8.500	11/02	97.8100	-0.150	8.81	8.72	8.81
GERMANY		8.000	01/02	99.7350	-0.045	8.03	7.95	7.96
ITALY		12.000	05/02	94.2500	-0.280	13.47†	13.28	13.34
JAPAN	No 119	4.800	06/99	97.1445	+0.050	5.37	5.40	5.73
	No 129	6.400	03/00	106.5580	-0.177	5.20	5.22	5.47
NETHERLANDS		8.250	02/02	99.4400	-0.040	8.32	8.27	8.29
SPAIN		11.300	01/02	97.1000	-0.530	11.79	11.60	11.82
UK GILTS		10.000	11/96	102-19	-2/32	9.25	9.14	9.21
		9.750	08/02	104-15	-5/32	9.06	9.05	9.17
		9.000	10/08	101-09	8/32	8.85	8.84	9.07
US TREASURY *		7.500	05/02	104-11	+20/32	6.88	6.88	7.27
		8.000	11/21	104-09	+23/32	7.63	7.61	7.85
ECU (French Govt)		8.500	03/02	96.6000	-0.100	9.03	8.90	9.09

London closing, *New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

OSE considers more curbs on stock index trading

By Emiko Terazono in Tokyo

THE OSAKA Stock Exchange (OSE) may be about to implement further controls on its Nikkei 225 stock futures, despite signs of a shift in business to Singapore.

Mr Hiroshi Yamanouchi, president of the OSE, said yesterday that further restrictions on stock index trading could be imposed if there was evidence of volatility in the underlying cash market.

Futures and options – an area of trading in which foreign brokers have been notably successful – have been blamed by the Japanese financial authorities for distorting the cash market.

Official fingers have also been pointed at arbitrage trading – trading to take advantage of the price differences between the stock futures and cash markets – for exaggerating the falls in share prices.

Restrictions on trading in stock index futures, including shorter trading hours, higher margin requirements and commissions, and limits in price movements, have been implemented by the OSE six times during the past two years.

The average daily volume of conventional share trading on the Tokyo Stock Exchange was 263m for the first six months of 1992. This is 75 per cent down on the peak levels of 1988.

There is no shortage of Japanese brokers claiming that price fluctuation created by futures and arbitrage trading on the OSE are scaring investors away.

One by-product of trading restrictions is that the OSE is beginning to lose business to the Singapore International Monetary Exchange (Simex), where the Nikkei 225 futures can also be traded. The tighter regulations have reduced liquidity and limited price movements on the OSE.

Average trading volume in the Osaka Nikkei 225 futures for the first six months of this year has fallen 42 per cent to 52,972 contracts. On Simex, trading has surged 4.8 times to 10,692 contracts.

An OSE official said the moves to regulate futures trading were experiments to see whether futures trading affected the cash market. "Since the cash market has not recovered despite the restrictions, many critics of futures and options trading seem to be reviewing their arguments," he said.

Banco de Chile plans $75m deal

By Simon London

BANCO de Chile, the country's largest private sector bank, is set to become the first Chilean borrower to tap the international bond market since the debt crisis of the 1970s.

The bank is planning to raise a $75m five-year funding next week from a Eurodollar bond issue lead-managed by Bankers Trust International.

While borrowers from Mexico, Argentina, Brazil and Venezuela are now regular visitors to the international market, Chilean banks and companies have been able to raise funds at cheaper rates in their domestic markets.

Reform of the pension industry in the early 1980s encouraged the development of a liquid domestic debt market. Chile is one of only a few countries in the world where 20-year corporate bonds are actively traded.

Bankers said yesterday that few Chilean banks would be able to raise international funds and on-lend to domestic companies at attractive rates. Banco de Chile will use the proceeds to finance dollar loans to companies in capital goods sectors.

Pensions reform was part of a structural adjustment which included the privatisation of state industrial holdings and a reduction of Chile's external borrowings. Foreign debt stands at around 55 per cent of gross domestic product, down from over 100 per cent in 1987.

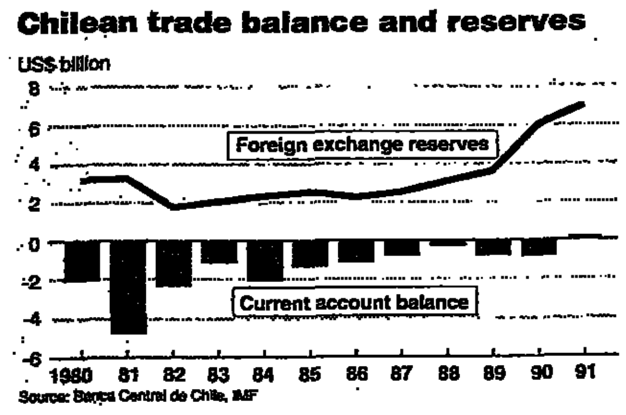
The government runs a small budget surplus, and the current account is in balance, despite several years of strong economic growth.

Commercial bank loans to Chile trade at around 90 per cent of face value in the secondary market, against 50 per cent of face value for Argentina and under 40 per cent for Brazilian debt.

Banco de Chile has assets of around $4.5bn. As a leading commercial lender, its fortunes are linked to the fortunes of the Chilean economy. It is still tied to the aftermath of economic collapse in the late 1970s. Around 70 per cent of each year's profit is paid to the central bank, which took over the management of Banco de Chile's bad debt portfolio to save it from liquidation.

Bankers Trust expects to price the Banco de Chile bonds to yield around 2 per cent more than US Treasury paper of the same maturity, similar to the yield spread of benchmark Mexican bond issues.

Chilean trade balance and reserves



Source: Banco Central de Chile, IMF

BASF launches $200m issue aimed at retail investors

By Simon London

NERVOUS conditions in the international bond market ahead of today's Bundesbank council meeting kept most investors and potential issuers on the sidelines yesterday.

INTERNATIONAL BONDS

With most investment institutions waiting to see if the German authorities will tighten monetary conditions before committing funds, the only new issues were aimed at retail investors and denominated in North American currencies.

BASF, the German chemicals and industrial group, launched a $200m seven-year deal, lead-managed by Deutsche Bank. The 7 per cent bonds were re-offered to investors at a fixed price of par.

At this level the yield was 45 basis points more than US Treasury paper.

The pricing was seen as too tight by underwriting firms with a predominantly institutional client base. However, banks with strong retail placement into Germany and Switzerland, including the lead manager, reported no problems in selling the bonds.

BASF does not carry an official credit rating, but has been assigned an implied AA2 rating by Moody's Investors Service without its permission.

Goldman Sachs raised C$150m five-year funds through a deal which it lead-managed. The 8⅛ per cent bonds were also aimed at retail investors and priced to yield a full 1 per cent more than Canadian government paper. The yield was seen as generous by participants and the bonds sold quickly.

Comision Federal de Electricidad, Mexico's state-owned electricity distributor, launched a $100m five-year issue lead-managed by Citicorp Investment Bank. Although the issue was the first by this borrower, the bonds were priced to yield 210 basis points more than US Treasury bonds – in line with the secondary market yield of other Mexican state agency bonds.

Matsushita's $1bn 10-year global bond issue was priced to yield 41 basis points more than Treasury bonds, at the tighter end of an indicated 41-43 basis point range already considered tight by some bankers.

However, co-managers reported no problems in placing their relatively small allocations of bonds. Most said demand from Japanese investors was stronger than anticipated, with European investors showing less appetite for registered, corporate bonds.

The deal was the first global bond issue by a corporation.

Lehman Brothers, which joint lead-managed the transaction with Credit Suisse First Boston and therefore underwrote a larger slice of the deal, said it sold some large blocks of bonds to European institutional investors.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
BASF Europe NV(a)†	200	7	101.55	1999	1⅞/1¼	Deutsche Bank
Com.Fed.De Elec'dad(b)†	100	8	99.88	1997	⅞/⅝	Citicorp Invest.
CANADIAN DOLLARS						
Goldman Sachs Gp.(a)†	150	8⅛	101.40	1997	1⅞/1¼	Goldman Scahs Intl
SWISS FRANCS						
Bremer Landesbank(a)†	75	7¼	101⅛	1996	-	Credit Suisse
OKB(a)†	50	8	101	1994	-	SBC.

**Private placement. §Convertible. #With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon payable Semi-annually. Non-callable.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 15

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	53	15
Other Fixed Interest	1	3	11
Commercial, Industrial	277	220	942
Financial & Property	147	111	537
Oil & Gas	21	15	50
Plantations	0	1	8
Mines	41	9	99
Others	49	26	60
Totals	550	438	1,722

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♦ Units comprising 1 Ord. and 1 Zero Div. Pref. share.

TRADITIONAL OPTIONS

- First Dealings July 6
- Last Dealings July 17
- Last Declarations Oct. 1
- For settlement Oct. 12

3-month call rate indications are also shown on this page.

Calls in Acorn Computer, D.C. Gardner, Hartstone, Pilkington, Transfer Technology, United Energy and Williams Hldgs. Puts in Airtours, Blacks Leisure, Euro Disney, Pentos and Stakis.

LIFFE EQUITY OPTIONS

[illegible]

July 15 Total Contracts 36,480
Calls 21,384 Puts 15,096
FT-SE Index Calls 10,181 Puts 4,747
Euro FT-SE Calls 1,392 Puts 4,056
*Underlying security price. † Long dated expiry mths
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p								
Allied-Lyons	49	Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Amstrad	6	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Astec (BSR)	3	Courtaulds	43	Lex Service	22	TI	55	BP	18
BAT Inds	58	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BOC	53	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	6½
BTR	35	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
Barclays	29	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Blue Circle	24	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Boots	34	Gen Accident	38	NatWest Bank	26	Vickers	15	Tuskar Res	½
Bowater	60	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Brit Aerospace	26	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47
British Steel	7	Grand Met	38	RHM	18	Brit Land	18		
BT	25	GRE	13	Rank Org	55	Land Sec.	30		
Cadburys	38	Hanson	18	Ratners	3	MEPC	28		
		ICI	95	Reed Intl	44	Mountleigh	1½		

Growth attributed to concentration on mainstream brands

Bulmer up 19% in buoyant cider market

By Richard Gourlay

HP BULMER Holdings yesterday reported a 19 per cent increase in annual profits as cider continued to grow despite the decline in the UK drinks market as a whole.

Pre-tax profits for the 12 months to April 24 rose from £14.4m to £17.1m on sales up 5 per cent to £221.9m.

The results, coming on the day that the share offer for Taunton Cider closed, confirmed that the cider market is the one area of the UK drinks market that is still growing despite recession.

Mr John Rudgard, Bulmer's chief executive, said he welcomed the arrival of another quoted company and the amount that Taunton was contributing to the growth of the market.

Bulmer's earnings per share expanded by 23 per cent to 19.96p and the final dividend is increased to 5.55p, giving a total of 9p, up 8 per cent.

The record profits and earnings were, however, a reflection of its strategy of focusing on Strongbow and Woodpecker, its mainstream cider brands which compete mainly with Taunton's Blackthorn and Autumn Gold brands for more than 85 per cent of the market.

"Taunton's strategy is very much about new brands," Mr Rudgard said. "Ours is very much to do with existing brands and bringing in new brands."

During the year Bulmer spent £13m on capital expenditure, compared with a depreciation charge of £5m. The company has spent £49m capital on capital expenditure over the last four years.

In particular, Mr Rudgard said, Bulmer had invested heavily in kegs and keg equipment to widen the availability of cider.

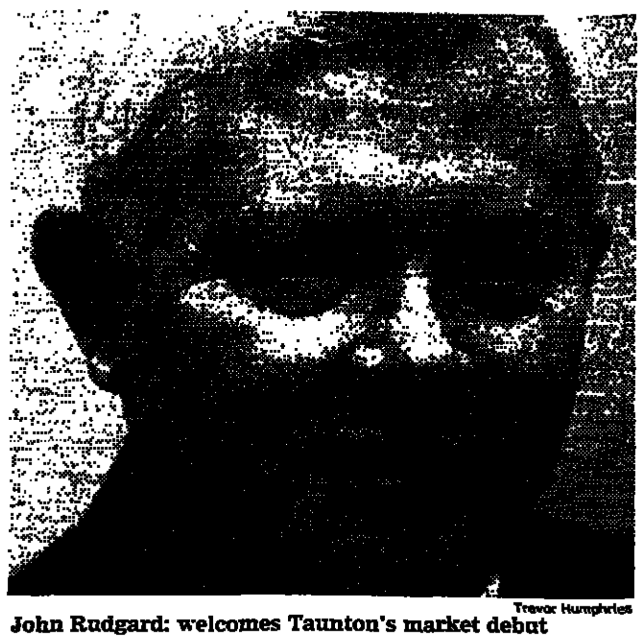
Bulmer claims a 33 per cent market share for Strongbow, which it said had grown 13 per cent over the last two years, and a 23 per cent market share for Woodpecker which it said was growing at 16 per cent.

By comparison, Bulmer said sales of Blackthorn and Autumn Gold were both falling.

Mr Rudgard said that its premium Scrumpy Jack brand was also growing, albeit from a lower level than Diamond White, Taunton's mainstay.

The contribution to sales from Pectin fell due to the worldwide recession with profits of £2.58m (£2.64m) on sales down 12 per cent at £14.5m.

Profits in Australia rose by 18 per cent to £1.79m, enjoying the only significant part of that country's drinks market to show growth.



Trevor Humphries

John Rudgard: welcomes Taunton's market debut

Proudfoot value drops 17.5% as shares change hands

By Angus Foster

THE MARKET value of Alexander Proudfoot, the US-based but UK-listed management consultant, dropped 17.5 per cent yesterday after a large block of shares changed hands below the market price and amid continuing uncertainty following a management shake-up.

The shares dropped 41p to 194p, their lowest since 1987, after 1.2m went through the market at 200p early yesterday.

Collins Stewart, the company's joint broker, was believed to have handled the transaction.

Analysts have marked down profit forecasts for this year following a cautious trading statement issued late on Monday, when the company also announced the resignation of Mr Thomas Huhn, chief executive officer.

Mr Huhn sold nearly all his shares last year and at April 7 held only 50,000 shares via a family trust.

Mr Neil Hamilton, finance director, yesterday held a series of meetings with institutions. The company has been criticised for not telling the market sooner that trading was tough.

"I've been assuring institutions that while things have not improved in our markets, the company remains strongly cash positive," he said.

The company held net cash of £21m at the end of last year, enough to pay out nearly two years of dividends. But following yesterday's price fall, the shares are yielding over 12 per cent.

The shares have fallen ever since the preliminary results were announced, when they stood at 369p. Since then, former majority shareholder Invesco MIM sold its remaining stake.

Mr Huhn's sudden departure has added to the market's confusion. An internal review of the company's strategy was completed late last week and made no mention of senior executive changes. Following a private meeting on Monday with Lord Stevens, chairman of Proudfoot and Invesco MIM, Mr Huhn resigned without warning.

He is being replaced by a management committee of Mr Hamilton and three others, all based in the US.

Mr Hamilton said the new structure is similar to that used when the company was private, before it reversed into City and Foreign Holdings in 1987.

BOARD MEETINGS

TODAY

Interims- Baring Tribune Inv Trust, Cardiff Property, General Consolidated Inv Trust, National Home Loans, River & Mercantile Trust.

Finals- Brasway, Dalepak Foods, Goode Durrant, Great Universal Stores, Hampson Inds, Jones Stroud, Moorgate Inv Trust, Norbain Electronics, Peel, Power Corp

FUTURE DATES

Interims-	
CIA	July 30
Derby Trust	July 23
Greggs	July 27
Iceland Frozen Foods	Sept. 3
Smaller Co's Inv Trust	July 27
Smith & Nephew	Aug. 5
Tesco	Sept 22
Finals-	
Abtrust Preferred Income	July 23
Arlen	July 24
Border TelevisionTV	July 22
Cray Electronics	July 17
Grahams Rintoul Inv Tst	July 22
Savills	July 23

Cray Electronics set to take Dowty arm

By Alan Cane

CRAY Electronics, the high technology group, is expected to emerge tomorrow as the successful bidder for the information technology interests of Dowty Group, now part of TI.

The Berkshire-based company, which is set to publish full-term figures tomorrow, confirmed yesterday that it would be making an important announcement at the same time.

TI said only that the company was still talking to prospective purchasers but that one set of negotiations was "going particularly well".

It is understood, however, that the deal has been essentially sealed at a purchase price of £50m-£55m.

TI acquired Dowty last month for £485m and made it clear it was anxious to sell the information technology division quickly.

Mr Christopher Lewinton, chairman of TI, believes that Dowty's move into that business, chiefly through the purchase of Case Communications, was a costly error. The division last year made sales of £172m but failed to produce a profit.

Cray, a small company specialising in software, telecommunications and instrumentation, has returned to profitability under the guidance of new management led by Sir Peter Michaels, who has made it clear he intends to expand the company rapidly by acquisition.

Last year it made an initial bid for SD-Scicon, the UK software house eventually acquired by EDS of the US.

Case Communications, which specialises in computer networking, was a rising star in UK electronics until it struck problems in the US and was acquired by Dowty in 1988 for about £80m.

Clarke Hooper in the red

By Angus Foster

CLARKE HOOPER, the troubled USM-traded sales promotion company, yesterday announced a pre-tax deficit of £3.45m for 1991-92 as trading losses due to the recession were compounded by exceptional losses from rationalisation.

The loss for the year to end-April compared with a £2.05m profit last time. Turnover fell 11 per cent to £44.5m as clients cut marketing budgets. Pressure on margins resulted in swing from operating profits of £2.18m to losses of £890,000.

Interest charges increased to £315,000 (£131,000) as net borrowings rose to £3.97m (£2.66m). The company's bankers, Robert Fleming and NatWest, commissioned a review of working capital requirements and have renewed Clarke Hooper's facilities until June 1993.

The rationalisation programme led to exceptional items of £2.26m. The workforce has fallen from 381 to 209. Ms Sue Archer, group finance director, said no further cuts were planned.

Losses per share emerged at 12.9p (earnings 8.4p). No dividend is proposed – a 4.4p total was paid previously.

The sale in May of Schmidt-Cannon International, a US marketing company, for $2m (£1m) led to an extraordinary loss of £3.37m for goodwill previously written off.

Retained losses for the year totalled £6.05m (profit £601,000).

C and W in Russian joint venture

Cable and Wireless, the telecommunications group, yesterday announced the launch of a direct satellite service from St Petersburg.

The new company, Baltic Communications, is a joint venture in which C and W is the largest shareholder with a 40 per cent stake.

The other partners are the San Francisco/Moscow Teleport of California and three of the main state telecommunications companies in St Petersburg.

The venture is St Petersburg's first fully digital satellite service and is designed to meet the needs of the business and tourist industries.

Public fails to take big swallow of Taunton

By Richard Gourlay

THE PUBLIC has subscribed for only 30.1 per cent of the shares on offer in Taunton Cider, making the west country drinks group the latest newly-floated company to fail to attract widespread support.

Another 15.3 per cent of the 29.13m shares on offer to the public at 140p were taken up by sub-underwriters as part of offset arrangements to the 29m share institutional placing which was successfully concluded last week.

While Taunton shares have failed to fire the public's attention and may initially trade at a discount next week, the company has been relatively more successful than other recent companies to float.

The public took up only 23 per cent of The Telegraph Group's shares, 15 per cent of the shares in MFI, the furniture group, and only 6.4 per cent in Anglian, the double-glazing group.

When Anglian began to trade yesterday the shares closed at 204p, a 6p discount to the issue price.

Kenwood Appliances, the first new company to float in the post-election rush, was only 1.2 times subscribed. It opened at a premium to the 285p offer price and is now trading at a small discount.

Mr Michael Cottrell, Taunton's chairman, said he was delighted with the strong institutional interest in the issue. An adviser said the support was satisfactory given the recent run of undersubscribed issues and the state of the markets and that the institutional interest was a positive sign for the aftermarket.

Etonbrook proxies urged to dissent

Mr Andrew Perloff yesterday urged shareholders in Etonbrook Properties not to sign proxies in support of a capital restructuring which will be put to the vote on August 7.

Mr Perloff, chairman of Multitrust, a shareholder in Etonbrook, is fighting the board's plan for a capital restructuring which would enable the company to resume dividend payments. He said he would comment on the situation following further investigation of the report and accounts, which were published earlier this week.

Talks spark 20p rise in Templeton Galbraith shares

By Norma Cohen, Investments Correspondent

SHARES IN Templeton Galbraith and Hansberger, the Bermuda-based international fund management company, rose 20p to 309p yesterday following confirmation that it had been approached by various financial managers interested in "a business combination."

The company provided no details of the talks or of the suitors. However, it is understood that two US financial services companies are engaged in serious talks. Templeton's senior management, who control over 82 per cent of the voting shares, are said to be concerned about protecting the independence of its investment strategy.

A statement from the company said: "All of these [talks] contemplate a continuation of independent operations by the Templeton group with normal service for clients and funds and the same investment personnel, policies and methods."

Templeton is also said to be interested in forming a partnership with a larger firm which could give it access to greater distribution outlets. Sir John Templeton, the founder and chairman, will be 80 in the autumn and is said to be in good health.

Templeton manages roughly $19bn (£9.9bn) of funds, of which $12bn is in the form of US-style mutual funds. An additional $4.6bn are pension fund assets while closed end investment trusts account for $2.4bn of assets. Its investment style has been to seek international equities with long-term growth prospects.

Scottish Nuclear in the black with £13.7m

By James Buxton, Scottish Correspondent

SCOTTISH NUCLEAR, the state-owned company that operates Scotland's two nuclear power stations, moved into the black for the first time in 1992 with a net profit of £13.7m.

This compared with a loss of £32.5m in 1991 and was achieved in a year of increased output, tight cost control and lower inflation.

Turnover, representing sales from the Hunterston B power station in Ayrshire and Torness in East Lothian, rose 13 per cent to £477m.

Mr. James Hann, chairman, said: "So far, so good; but the company has a long way to go and many issues to be resolved before we can be satisfied with our financial performance."

Mr. Hann is engaged in a long-term campaign to improve the performance of the company, which was carved out of the former South of Scotland Electricity Board in 1989, and to rehabilitate the image of nuclear power in the UK.

He said the cost of SNL's electricity was beginning to compare favourably with oil and coal-generated power.

Company executives make no secret of their desire to see SNL privatised. Mr Hann said: "I do believe that we are heading towards a position where under certain circumstances the company will be privatised, but there are many issues still to be addressed."

SNL made an operating profit of £68.7m (£52.2m) but had to allow £50.6m (£75.4m) to maintain the value of its £2bn provisions for de-commissioning the advanced gas-cooled reactor stations.

Operating cost per unit of electricity was 3.21p before accounting for historic liabilities. SNL does not benefit from the non-fossil fuel levy which is paid by electricity users in England and Wales.

SNL supplies about 40 per cent of Scotland's electricity through its sales to Scottish Power and Scottish Hydro-Electric. The load factor at Hunterston B declined from 79.1 per cent in 1990-91 to 66.4 per cent, partly because of mid-life maintenance work on one reactor. Torness's load factor rose from 38.6 per cent to 55.1 per cent because of improvements to its refuelling system.

In January SNL reached agreement in principle with British Nuclear Fuels on fixed-price fuel supply and reprocessing contracts worth £2.7bn over the next 15 years. It is also applying to build dry stores for spent fuel at Torness and Hunterston B which would save £45m on fuel cycle costs, cutting 0.3p per unit from the cost of generating electricity.

Hitch hits Walbrook rescue plan

By Andrew Jack

A PROPOSAL to rescue Walbrook Insurance, a subsidiary of London United Investments which is in administration, has been referred to the US Securities and Exchange Commission following questions over the procedures it has followed.

Walbrook stopped paying claims on May 29, two years after it ceased to write new business. It told leading policyholders in Chicago and London over the last few days that it had a balance sheet deficit of £170m.

The directors of the company are urging the policyholders to endorse a proposed informal scheme of arrangement which would leave the existing executives in charge and require large creditors to subscribe to redeemable preference shares equivalent to 60 per cent of the amount they are owed.

However, Mr John Dingell, chairman of the US House of Representatives sub-committee on oversight and investigations, wrote to Mr Richard Breeden, chairman of the SEC, on July 9 calling on him to examine the nature of the Walbrook offer.

He has asked whether the stock offering should be covered by the registration and disclosure requirements of Federal securities laws; whether the Walbrook directors can disclaim legal liability for the offering; and whether the SEC is examining the "propriety" of the offering.

The letter follows correspondence to the sub-committee from the receiver of Transit Casualty, a Missouri-based insurance company which went into receivership in 1985 and which is one of Walbrook's largest creditors.

Transit has been leading a group of policyholders which oppose the offer from Walbrook and would prefer to place the company in provisional liquidation.

It applied last month in the high court for a liquidation order, and its hearing has been postponed until early August.

Those opposing the plan are trying to avoid the slow-moving schemes of arrangement established for the so-called KELM group of companies to which many are also creditors and which are other subsidiaries of London United Investments.

The SEC refused to comment yesterday on whether it had launched an investigation. An official said that public offerings had to be registered with the SEC before they could be announced, but private placements did not.

Walbrook said yesterday that it had not been contacted by the SEC, but its lawyers were asking the commission to see whether it wants any information on the offer.

Waste Management advances by 51%

By Richard Gourlay

WASTE Management International, the UK quoted group, yesterday reported a 51 per cent increase in profits in its first reporting period after its £405m global share offering in April.

Pre-tax profits improved from £41.5m to £62.7m on sales ahead some 30 per cent at £382m.

Some 18 per cent of the sales growth came through organic growth and the remainder through a number of acquisitions.

When Waste Management, the Chicago-based group, sold 20 per cent of its international operations in the share offering it said it would use the war-chest to take advantage of opportunities arising from tightening environmental regulations in Europe and growth in Asia.

Mr Edwin Falkman, chief executive of WMI, said yesterday that nothing had dampened enthusiasm about the opportunities and that the continuing recession in the UK had increased the potential possibilities as companies' tried to dispose of non-core waste businesses.

During the six month period, WMI bought Marvin, a storage handling and chemical waste treatment facility in Great Yarmouth; SPAT, in France, which will open operating landfill sights for the group; and agreed to build own and operate a waste-to-energy facility at Gutersloh, Germany.

Mr Falkman also said the group had also agreed a joint venture with Bimantara of Indonesia to build the country's first hazardous waste treatment plant.

Earnings per share emerged at 10.6p, up 36 per cent over the period.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aberforth Split ....fin	3	Sept 4	-	9	-
Beckenham § ....int	nil	-	0.5	-	0.5
Bulmer (HP) ....fin	5.55	Sept 7	5.15	9	8.35
Clarke Hooper § ......fin	nil	-	2.7	nil	4.4
Denmans Elect § ......int	1.8	Aug 27	1.65	-	5.85
Leslie Wise ....int	1.75	Oct 1	1.75	-	4
Tomorrows Leis § ....fin	1.375	Oct 5	1.25	1.375	1.25
Wyko ....fin	1.4	Oct 1	1.4	2.8†	2.8

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

S&P Return of Assets Trust

Net asset value per share of Save & Prosper Return of Assets Investment Trust stood at 278.5p at May 31 compared with 273p a year earlier. After treating warrants as exercised the figure amounted to 250.2p against 244.1p.

Pre-tax profits for the year amounted to £4.44m (£4.39m) and earnings per share 10.65p (11.36p).

PUBLIC WORKS LOAN BOARD RATES

Effective July 14

Years	Quota loans* EPT†	Quota loans* A††	Quota loans* at maturity‡
1			10⅛
Over 1 up to 2	10⅛	10⅛	10⅛
Over 2 up to 3	10⅛	10⅛	10
Over 3 up to 4	10	10⅞	9⅞
Over 4 up to 5	9⅞	9⅞	9¾
Over 5 up to 6	9⅞	9⅞	9¾
Over 6 up to 7	9⅞	9¾	9⅞
Over 7 up to 8	9¾	9¾	9⅞
Over 8 up to 9	9¾	9¾	10
Over 9 up to 10	9¾	9¾	10
Over 10 up to 15	10	10⅛	10⅛
Over 15 up to 25	10⅛	10⅛	10
Over 25	10	10	9⅞

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). ‡ With half-yearly payments of interest only.

Net borrowings remain at three times shareholders' funds

Anglia Homes losses exceed £5m

By Andrew Taylor, Construction Correspondent

BAD NEWS continues to surface from Britain's highly depressed housing sector.

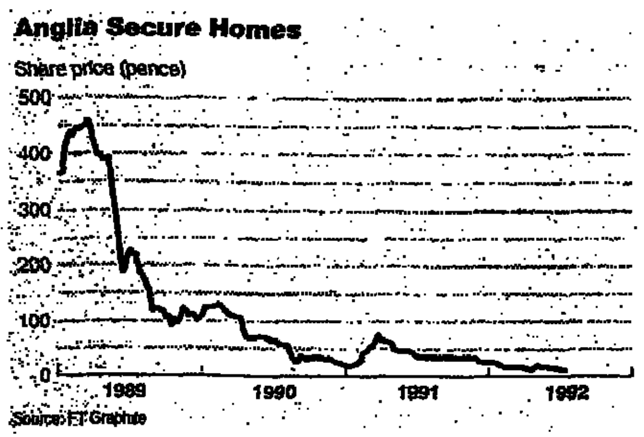
Yesterday, Anglia Secure Homes, the retirement homes specialist, revealed that pre-tax losses had risen to £5.08m during the six months to end-March.

That compared with a loss of £4.22m last time. Turnover in the first half dropped from £11m to £6.57m.

That meant the group lost 77p for every £1 of sales. Losses per share rose from 12.8p to 15.4p.

Mr Peter Edmondson, chairman, said that in the light of continuing losses the group would not be paying an interim dividend.

Anglia last paid a dividend in respect of the 12 months to September 1989.



It has been hit hard by the collapse in demand for housing and particularly for retirement homes. Mr Edmondson said yesterday that the market remained appallingly weak.

Commercial Union, the insurance group, rescued Anglia in April 1990 when it took a 12 per cent stake as part of a financial restructuring.

It also owns a 49 per cent stake in Haven Services – Anglia has the other 51 per cent – which provides management services for retirement homes for Anglia and other companies.

Anglia, which had seen its share price tumble from a peak of 458p in March 1989 to 6½p at yesterday's close – down 5¼p on the day – had been selling its stock of completed homes in a bid to reduce debts.

These fell from £74.8m in early 1989 to £30.1m at the end of March. Net borrowings, however, remained almost three times shareholders funds of £10.8m.

The stock of unsold homes was reduced from more than 700 to 360 at the end of March.

The group had reached the point where it needed to start building again – on just three sites – for the first time since the beginning of 1990.

Half year losses were struck after interest of £2m (£1.3m) including £700,000 from write-off capitalised interest.

There was also an exceptional write-down against stock of £1m.

Purchase helps Wyko contain downturn

By Paul Cheeseright, Midlands Correspondent

WYKO, the West Midlands-based distributor and manufacturer of bearings and power transmission components, saw pre-tax profits drop by nearly 10 per cent and acknowledged the fall would have been sharper but for the acquisition of EW Bearings.

Performance improved in the second half, enabling the group to announce profits of £1.38m for the year ended March 31 1992, compared with £1.52m. Turnover rose from £48.4m to £55.5m.

Earnings per share, on capital enlarged by the share issue to finance last October's purchase of EW Bearings, were 2.37p, against 4.2p.

However, the dividend, with a final of 1.4p, is maintained at 2.8p after taking £238,000 from reserves.

Mr Philip White, chairman and chief executive, justified the maintenance of the dividend as a reflection of future trading prospects, and on the grounds that the balance sheet was strong – gearing fell over the year from 59 per cent to 24 per cent.

The acquisition of EW Bearings led to both expansion and rationalisation of Wyko's UK distribution network, which increased its operating profit while that of the UK manufacturing and international divisions declined. Group operating profit of £1.33m (£1.53m) would have been less than £950,000 without EW Bearings.

This year Wyko expected further benefits from the rationalisation of the UK distribution network although Mr White said "demand is patchy" and that "there are ebbs and flows in the recovery process."

Although he was "a little more optimistic than pessimistic" about the immediate prospects, he noted that "it is probably more realistic to accept that prevailing business circumstances were unlikely to improve significantly during 1992."

Improved rival offer for Pacific Horizon under discussion

By John Authers

JUPITER Tyndall Merlin, the fund management group, yesterday announced it was in discussions with an investment trust over the possibility of an offer being made for Pacific Horizon Investment Trust.

The announcement provoked another round of controversy in the long-running attempt to restructure the trust.

Last month, Jupiter Tyndall blocked a bid by Martin Currie Pacific Trust for Pacific Horizon, whose funds it manages. The directors of Pacific Horizon had unanimously recommended the Martin Currie bid.

Jupiter Tyndall has also announced plans to restructure Pacific Horizon. Yesterday it said its discussions with the investment trust involved "an offer being made for the whole of the share capital and outstanding warrants in Pacific Horizon on terms which would be significantly better than those which were available under the offer from Martin Currie Pacific."

The announcement provoked an angry response from the board of Pacific Horizon, which said it was extremely concerned that, "a proposal of this kind should be notified to it by way of public announcement and that the Jupiter Group did not notify the board of its discussions in advance".

It said it was not aware of the proposals' terms or of the identity of the offerer.

The directors also invited the offerer to come forward and make itself known to them.

Jupiter Tyndall is requisitioning an extraordinary meeting of Pacific Horizon to appoint new directors and consider restructuring proposals.

Pacific Horizon directors said they had written to Jupiter Tyndall requesting it to withdraw its requisition until it was clear whether an offer had been made.

They said that it would be a "flagrant waste of Pacific Horizon's funds" to convene and hold a meeting while the possibility of a new offer existed.

Underwriters top up in MFI share issue

By Maggie Urry

MFI FURNITURE Group's public offer of shares attracted 16,654 applications in total covering 60.3m shares – 44 per cent of the 137m shares available. The rest will be taken up by sub-underwriters.

However, sub-underwriters to the issue applied for 39.6m of the 60.3m shares, leaving retail applications covering 20.7m shares, worth £23.8m at the 115p offer price. There were 379 applications from employees for a total of 432,000 shares.

Of the shares applied for by sub-underwriters, 26.2m can be offset against underwriting commitments and another 13.4m shares were in excess of their sub-underwriting commitments.

Sub-underwriters still receive their commissions when they offset shares applied for against their commitments.

The numbers underline the recent trend of retail investors shunning public offers.

The institutions who bought stock through the placing of 410.2m shares also sub-underwrote the public offer in the same proportions.

Bankers said sub-underwriters would have known, given market conditions, that the offer would not be fully subscribed and so were sure of getting a proportion of their underwriting commitments.

They said that by applying for shares under the offset arrangements they showed a desire to be sure of getting stock. Those which applied for additional shares may have felt it would be difficult to buy a large number when dealings start on Friday, given that a fairly high proportion of the shares are in firm hands.

NEWS DIGEST

Beckenham in loss and seeks £2m

BECKENHAM GROUP, the USM-traded engineer, yesterday called on shareholders for £1.9m net via a rights issue and also announced that it ran up a loss for the six months to end-April.

The proceeds of the cash call would be used to continue the restructuring, strengthen the balance sheet and provide additional working capital.

Turnover for the half year fell to £15.3m (£26.5m) and at the pre-tax level the loss worked through at £771,000 compared with previous profits of £746,000.

Directors described the result as unsatisfactory but said it was a "considerable improvement" over the preceding six months' loss of £6.2m.

The half-year deficit included a full provision of £164,000 against the effects of Olympia & York, one of its larger customers, being placed in administration together with reorganisation and closure costs amounting to £386,000.

Further reorganisation costs would be incurred in the second six months but the directors anticipated that reorganisation would be virtually completed by October 31.

Interest charges rose by £60,000 to £364,000, well down, however, on the preceding half year's figure of £741,000.

As a result of disposals, bank borrowings at June 30 totalled £6.7m (£9.7m at October 31 1991). Further disposals, together with the proceeds from the rights issue, should reduce indebtedness by a "substantial" amount.

Losses per share were 1.4p (earnings 1p) and the interim dividend is omitted – 0.5p was paid previously but the final was passed.

The fully underwritten rights issue is of 35.51m shares on a 3-for-4 basis at 6p per share – in line with yesterday's close, down ½p.

Williams expands components side

Williams Holdings, the international conglomerate, has acquired the building components division of Charles Baynes, the Surrey-based specialist engineer, for £8.6m cash.

The division, which comprises Ancon Stainless Steel Fixings, Ancon Couplers (MBT) and Harris & Edgar, achieved combined turnover of £12.2m and operating profits of £600,000 in the 1991 year. Net assets at completion will amount to £1.5m.

Aberforth Split pays forecast 9p

Aberforth Split Level Trust reported net assets values as of June 30 of 207.3p per unit share, 196.7p per capital share and 10.6p per income share.

Available revenue for the period from May 14 1991 – when the trust was admitted to the main market - to end-June amounted to £1.43m, equal to earnings of 9.56p per income share.

A fourth interim of 3p brings the total to the forecast 9p.

Smiths Inds buys HG Wallace

Smiths Industries is buying the medical devices manufacturer HG Wallace from the present family owners.

Wallace makes disposable plastic products for infusion, dialysis, incontinence and wound drainage applications.

In its last financial year it made pre-tax profits of £1.3m from sales of £6.3m. Net assets, including cash, were £3.5m.

Tomorrows Leisure dips to £731,000

Tomorrows Leisure, traded on the USM, reported significant growth in its net assets, turnover and trading profits for the year to end-March.

Trading profit at the hotel, golf and leisure activities surged from £44,000 to £710,000, resulting from the investment of funds, previously released from an asset sale, into new and existing developments.

Interest received fell from £778,000 to £29,000, and the pretax profit came to £731,000, against £860,000.

Turnover rose from £4.4m to £7.5m. Earnings emerged at 6.5p (4.7p) and the dividend is lifted 10 per cent to 1.375p.

Cost control helps Denmans rise 43%

Mainly as a result of stringent control of costs and working capital, Denmans Electrical lifted interim pre-tax profit by 43 per cent, from £574,000 to £823,000.

However, directors of this USM-traded group stressed that results were becoming more seasonally biased, and the percentage increase should not necessarily be expected to be held over the full year.

They reported that all sections of the business were trading profitably even though the results were affected by bad debt provisions "well above historic levels."

The group was developing its manufacturing and importing businesses and, consequently, lighting was becoming an increasingly important part of turnover.

For the half year ended March 31 1992 sales rose to £18.9m (£17.8m).

Interest charges were cut to £97,000 (£152,000). Earnings per share worked through at 12.7p (8.8p) and the interim dividend is raised from 1.65p to 1.8p.

Leslie Wise 12% ahead at £1.51m

In spite of unfavourable trading conditions Leslie Wise, the textiles, women's clothing and knitted fabrics group, lifted profits from £1.35m to £1.51m pre-tax for the year to May 31.

The near-12 per cent advance was scored from a 25 per cent rise in sales to £22.8m. Exports also rose by 25 per cent. Margins were maintained leading to a 22 per cent rise in operating profits to £1.65m.

Earnings increased to 2.96p (2.7p) and the interim dividend is a same-again 1.75p.

Kalon bid referral is urged

By David Owen

MR MICHAEL Heseltine, president of the board of trade, was yesterday urged to refer Kalon's hostile all-paper bid for Manders (Holdings), its Wolverhampton-based paint-making rival, to the Monopolies and Mergers Commission in a parliamentary early day motion signed by 49 MPs.

Signatories included Ms Marjorie Mowlam, Labour's front bench spokeswoman on City affairs, Mr Richard Caborn, Labour chairman of the all-party select committee on trade and industry, and Mr Nicholas Budgen, Tory MP for Wolverhampton South West.

Noting that a takeover would give Kalon more than 70 per cent of the own-label paint market, the motion argues that a merger would "threaten a reduction in competition against the public interest."

Kalon's objective is "to achieve an increased market share of the paint market, and in the process cut 500 jobs from the workforce of a combined group," the motion states.

COMMODITIES AND AGRICULTURE

Copper surge takes prices to 18-month highs

By Kenneth Gooding, Mining Correspondent

COPPER PRICES yesterday continued to ignore widespread world economic gloom and surged above $1.15 a lb ($2,534 a tonne) on the London Metal Exchange, the highest levels for 18 months.

Many analysts had not expected to see copper, the most heavily-traded metal, reach $1.15 until much later this year. Traders suggested substantial Asian buying set the trend early yesterday and then some big merchant houses followed suit. The price was also helped upwards by some short-covering (hasty buying to cover their positions by organisations that had sold metal they did not own in the expectation of lower prices in future).

There was some profit-taking later but the price did not dip very far and copper for delivery in three months closed in London at $2,545 a tonne, up $30 from Tuesday's close.

While some analysts suggested that world economic conditions did not justify copper's recent price rise – it has jumped from just over $1 a lb at the begining of July – Mr Ted Arnold, analyst at Merrill Lynch, pointed out that copper supply and demand were finely balanced and demand was widely expected to increase next year.

He said that while copper demand in Japan was reflecting slowing economic growth there, the Chinese might well buy about 200,000 tonnes this year – "which would take up all the slack from Japan".

Mr Arnold said: "Copper is more likely to go up [in price] than to drop sharply from now on". He predicted the price would reach $1.20 a lb ($2,645 a tonne) in the fourth quarter of 1992. However, he dismissed the idea that copper could reach $1.50 a lb because such a price was "crazy".

● Copper demand in Asia will continue to grow in the 1990s, especially in the newly industrialised economies of South-east Asia, Mr Douglas C. Yearly, chairman of US producer Phelps Dodge Corporation, told an investment seminar, reports Reuter from Tokyo.

Timor Gap seismic work past mid-stage

By William Keeling in Jakarta

OIL COMPANIES working in the Timor Gap have completed more than half their seismic programme agreed earlier this year and the first exploration well is scheduled for December.

Officials of the Australia-Indonesia Joint Authority for the Timor Gap Zone of Co-operation say over 26,000 km (16,000 miles) of seismic work has been completed since 11 contract areas were designated between December 1991 and last February.

The contracts commited companies to six-year exploration programmes worth $362m, under which they must complete 52,100 km of seismic work and drill 45 exploration wells.

The Timor Gap is an offshore area of about 60,000 sq km between Indonesia and Australia. A dispute between the two countries over rights to the area was resolved by a treaty of co-operation, which came into effect in February 1991.

The first well is to be drilled by the Australian subsidiary of Marathon Oil, a US-based company. A Marathon official said on Tuesday that a tender for a drilling vessel would be placed soon and a further four wells were scheduled for next year.

Marathon is leading a consortium of Santos and Korea Petroleum in two contract areas and is commited to a $76m programme to drill 12 wells and conduct 10,000 km of seismic work. Other companies holding a stake in the contract areas include Shell, BP, Phillips and Enterprise Oil.

The acreage agreements provide for production to be shared equally between the Joint Authority and the contractor, after recovery costs, up to the first 50,000 barrels. The governments of Indonesia and Australia are equal partners in the joint authority.

Industry officials say the Timor Gap is a largely unknown territory for oil exploration. Only one well has previously been drilled in the area, 14 years ago, which found some gas and indicated the presence of hydrocarbons but not in commercial quantities.

RTZ to cut holding in PNG gold venture

By Kenneth Gooding

RTZ CORPORATION, the world's biggest mining company, wants to reduce its financial exposure to the $767m Lihir Island gold project in Papua New Guinea and is negotiating to sell part of its 80 per cent shareholding in the venture to its partner, Niugini Mining.

Lihir is one of the world's biggest known gold deposits: there are 42.2m troy ounces of the precious metal in proven and possible reserves. Production is scheduled to start in 1995 at an annual rate of 620,000 ounces for the first five years, building to 900,000 ounces in year 12.

The PNG government wants technical negotiations completed before October 31 so RTZ must conclude any deal with Niugini before then. The partners expect the government to take a 20 per cent stake – in return for paying them for 20 per cent of the $120m costs so far – which would leave RTZ with 64 per cent and Niugini 16 per cent.

As RTZ wishes to retain control of the project and manage it, the UK group is unlikely to sell down to below 51 per cent. However, RTZ, while confirming that negotiations are going on, would yesterday give no precise details.

Mr Geoff Loudon, chairman of Niugini, said in London yesterday that his company had retained the N.M. Rothschild bank to ensure that it had finance available "for all the shares" RTZ might sell.

If Niugini needed to sell any of its own shares as part of this process, perhaps via a rights issue, the number would be very small because the company's biggest shareholder, Battle Mountain Gold of the US, was not ready to commit more cash to Niugini but did not wish to see its present 60 per cent shareholding fall below 50 per cent.

Lihir will be one of the lowest-cost gold mines with total costs of $248.75 an ounce in the early years (including $163 cash operating costs), said Mr Loudon. The feasibility study presented to the PNG government was based on a price of $350 an ounce.

Mr Loudon said it was still hoped that the project would be expanded to increase annual gold output to 1.3m ounces by year 12 but this would double projected capital costs. At present, given the perceived political risks of operating in PNG, it would be extremely difficult to raise the finance for the bigger project.

Caribbeans fail to make sale on bananas with US

'Mixed signals' cause concern, writes Canute James

IN AN increasingly desperate battle to hold on to their preferential access to the European market, Caribbean banana producers have tried, but apparently failed, to recruit to their cause one pivotal player in international trade.

In recent weeks the prime ministers of several banana producing countries in the Caribbean have visited Washington, asking President George Bush and other key figures in the Administration to throw their weight behind proposals which would continue protection for Caribbean bananas marketed in Europe.

After the meetings several were left confused by what they said were "mixed signals" from the US administration. "At one level, the United States administration is aware of the problems we face with bananas, and is sympathetic to the fact that we face potentially serious damage from free trade in the fruit," said Mr P.J. Patterson, Jamaica's prime minister. "At another level in the administration, however, there is a move to have bananas brought under the Gatt and be freely traded."

The division is between the White House, on the one hand, and the Office of the Trade Representative and the State Department, on the other. While Mr Patterson declined to elaborate on which was the "sympathetic" part of the administration, Dame Eugenia Charles, the prime minister of Dominica, did not. "President Bush is sympathetic, but Mr James Baker, the secretary of state, is adamant that there should be no exemptions," Dame Eugenia said. "The argument is that if there is an exception for bananas, then there will have to be for rice, for dairy products and all other farm products. The United States is dead against us on this."

The African, Caribbean and Pacific (ACP) group, which supplies one-fifth of the bananas consumed in the European Community, had been worried by the proposals made in the text of the Gatt negotiations that trading conditions for current export volumes be maintained for all sources until 1999. Anything above this would be subject to tariffication, with tariffs being reduced progressively by an average of 36 per cent between 1993 and 1999.

The banana producers are hoping for relief from three sources. One is the undertaking, "the legal commitment," says Mr Patterson, of the EC to ensure that changes in the marketing of bananas will not leave the ACP states "in a less favourable situation than in the past or at present". The second is the proposal by the European Commission earlier this year to impose quotas on fruit from non-ACP sources, mainly the Latin American countries whose fruit is more competitive than that of the ACP exporters.

The third area of solace for the ACP producers would have been US support for the use of quotas rather than tariffs. Officials in the Caribbean say the White House, preoccupied with an election, will hardly be in a position to redirect those parts of the government that are unwilling to consider bananas as a special case. Yet, they say, US support is important if there is to be any success with efforts for a derogation to the rules of international trade.

"There is also the fact that US companies are heavily involved in banana production in the Latin American countries," explained one St Lucian official. "It is unlikely that the US position will be one which will ignore the desires of those companies, and the Latin American governments, to open up the market."

Caribbean bananas, which cost about 30 per cent more to produce than do Latin American fruit, could not compete on an open market. "The Latin American producers have virtually declared war on us," said Mr John Compton, the prime minister of St Lucia. "They are trying to drive us out of the European market."

Regional diplomats say that some leaders who met President Bush early last month in Washington to seek his support for the use of quotas rather than tariffs on bananas, were more than slightly taken aback when the discussion turned quickly to other matters, mainly developments in Haiti and the repatriation of Haitians seeking asylum in the US. "This reflects the distraction of the White House in an election year," explained one envoy. "There is nothing much to be gained by the White House, and perhaps something to be lost, by publicly agreeing to support the Caribbean requests and overriding the clear wishes of the companies involved in the Latin American industry. Haiti is much more politically sensitive."

"We cannot move the United States on this issue, although they themselves treat agricultural products as a special case, and they subsidise their own very heavily," said Dame Eugenia. "There appears to be no consideration that US agriculture is as important to the US economy as bananas are important to ours." Dominica's economy is 60 per cent dependent on banana exports.

US officials have refused to comment on claims that the US government has written to London suggesting that Britain reviews and changes its position in support of quotas for European banana imports as from next year when a single European market is created.

Dominica's economy is 60 per cent dependent on bananas

Ecuador's bonanza threatened by EC action

At a time of rising production, European sales are at risk, reports Sarita Kendall

ECUADOR'S BANANA bonanza, which brought in US$715m last year, is threatened by mounting production and the European Community measures to limit Latin American access to the European market.

Despite growing competition from countries with lower transport costs, such as Colombia and, more recently, Venezuela and Mexico, Ecuador more than doubled exports to Germany last year, but producers are extremely worried about future European sales.

"These countries sell us free market policies but don't apply this themselves. We're dismantling our tariffs while they are being protectionist," said economist Mr Luis Luna, under-secretary for foreign trade.

So far, Germany, which has a higher banana consumption level than most other European countries and also provides a channel to the east European countries, has not charged levies on banana imports.

Tariffs and quotas to protect more expensive bananas produced in the former African, Caribbean and Pacific colonies of EC members, would bring "a significant reduction in Ecuadorian exports – the price in Germany would rise and demand would drop. It's not just a question of helping us, the producer, it's the banana consumers, too," explained Mr Luna.

Nearly one-third of Ecuador's 2.7m tonnes of banana exports went to Germany, Belgium, Italy and Greece in 1991. Sales to eastern Europe have declined – Yugoslavia was an important market – while there is little prospect of compensating for the drop in earnings from the EC with exports to other parts of the world.

Apart from the EC issue, Ecuador faces the problems of growing international supply and overblown domestic production. The increase in world demand in 1990 and 1991 pushed up prices and encouraged new plantations, which are now coming into production. Although the National Banana Programme (PNB) only gives new growing permits to producers with export contracts and adequate technical back-up (including disease control), over 30,000 hectares (75,000 acres) of unauthorised plantations have sprung up in addition to the 105,000 ha registered under the programme.

Even the bigger, more modern plantations are not as productive as Costa Rica's banana farms. But overall, production costs are lower and Ecuador is well away from the hurricane zone. Sigatoka disease, which has spread southwards from Esmeraldas to the main growing areas of Guayas, Los Rios and El Oro, is a greater threat than climate.

Producers are critical of official efforts to control sigatoka, and this is one of the main reasons behind the banana lobby's move to privatise the PNB. As the programme is largely financed by contributions from the producers, the government has had to listen, if unenthusiastically. The new government, led by Mr Sixto Duran, due to take over on August 10, is more likely to be responsive to the private sector's proposal.

Exporters are also pressing for a reduction in the export reference price, currently set at US$4.50 a 43 lb box. Although demand was strong at the beginning of the year and sales rose to US$287m in the first four months, exporting companies are now feeling the foreign competition. Ecuador sends some 44 per cent of its bananas to the US – other Latin American producers are also better located for this market. On the other hand, Ecuador has good access to New Zealand, Korea and Japan which, taken together, account for over 10 per cent of exports.

The Ecuadorian government has taken the EC quota problem to the Gatt (although it is not yet a member) and is co-ordinating marketing policy with other "dollar area" producers.

Both the trade ministry and president-elect Duran have mentioned the possibility of retaliatory trade measures if EC countries insist on applying restrictions from January 1993.

WORLD COMMODITIES PRICES

MARKET REPORT

COFFEE prices recovered some of their recent losses at the London Futures and Options Exchange, but traders said activity remained sluggish in the absence of fundamental news. The September robustas position's $13 rise to $772 was "on the back of New York", one explained. Dealers said the potential for further advances was limited because several producing countries were looking to sell at $10 to $20 above present levels. The COCOA market also reversed its downtrend, with the September position finishing at £597 a tonne, up £3 on the day, about in the middle of the day's trading range. "People are cautious at the moment," said one dealer, commenting on the low level of turnover. "We're waiting for origin news and anything out of the Geneva talks [on the renegotiation of the moribund International Cocoa Agreement]. At the London Metal Exchange most metals reversed their recent downtrends. The exception was TIN, which resumed the downward course that was interrupted on Tuesday. Dealers attributed the $55 fall that took the cash position below the $7,000-a-tonne mark to "a negative technical outlook".

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.30-8.35y	+0.1
Brent Blend (dated)	$19.95-20.00	+.075
Brent Blend (Sep)	$20.15-20.20	+.05
W.T.I (1 pm est)	$21.45-1.50y	+0.1
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$222-225	+1.5
Gas Oil	$183-184	-2
Heavy Fuel Oil	$83-85	
Naphtha	$197-199	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$351.85	+1.3
Silver (per troy oz)♣	395.0c	+1
Platinum (per troy oz)	$386.5	-5.25
Palladium (per troy oz)	$88.25	-0.4
Copper (US Producer)	118.3c	+1.17
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	17.41r	+0.06
Tin (New York)	323.0c	+3
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.14p	+1.00*
Sheep (live weight)†♣	75.27p	-2.97*
Pigs (live weight)†	88.44p	*
London daily sugar (raw)	$266.0w	+4
London daily sugar (white)	$296.0w	+4
Tate and Lyle export price	£247.0	+2
Barley (English feed)	£111.0	
Maize (US No. 3 yellow)	£149.0	
Wheat (US Dark Northern)	Unq	
Rubber (Aug)♥	50.75	
Rubber (Sep)♥	50.75	
Rubber (KL RSS No 1 Jul)	221.0r	
Coconut oil (Philippines)§	$532.5t	-2.50
Palm Oil (Malaysian)§	$390.0z	+2.50
Copra (Philippines)§	Unq	
Soyabeans (US)	£135.5	
Cotton "A" index	65.35c	-0.1
Wooltops (64s Super)	377p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Sep/Oct y-July w-Jul/Aug y-Sep z-Aug. †Meat Commission average fatstockprices. * change from a week ago ♥London physical. §CIF Rotterdam ♣ Bullion market close m-Malaysian cents/kg. ♣Sheep prices are now live weight prices ‡‡ previous figure should have been 250.5

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	235.80	235.40	235.00
Oct	217.00	218.80	216.20 215.80
Dec	203.00	201.80	201.20
Mar	206.40	206.20	205.40
White	**Close**	**Previous**	**High/Low**
Aug	209.80	297.60	299.00 295.50
Oct	269.70	269.60	270.50 267.80
Dec	267.70	267.60	267.50 267.00
Mar	269.80	269.60	270.00 267.80
Aug	276.40	276.90	276.70
Oct	267.50	268.90	267.50

Turnover: Raw 426 (529) lots of 50 tonnes. White 2731 (1728) Paris- White (FFr per tonne) Aug 1427.02 Oct 1356.10

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low
Aug	20.21	20.07	20.24 19.92
Sep	20.29	20.10	20.31 19.97
Oct	20.28	20.06	20.28 20.00
Nov	20.26	20.06	20.13 20.00
Dec	20.17	19.97	20.06 19.94
Jan	19.04	19.80	19.95
IPE Index	20.07	19.93	20.07

Turnover 31994 (37876)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Aug	184.25	185.00	184.75 183.75
Sep	186.00	187.00	186.50 185.75
Oct	188.50	189.75	189.00 188.25
Nov	190.50	191.50	190.75 190.25
Dec	191.75	192.75	192.25 191.50
Jan	190.25	191.00	190.75 190.25
Feb	186.50		186.75 186.50
Mar	183.00	184.50	183.25 183.00
Apr	180.25	181.00	180.75 180.25

Turnover 5906 (10205) lots of 100 tonnes

WOOL

There are no wool sales in the primary markets this month and prices are nominally static. However, currency fluctuations affecting the US dollar and the closely related Australian dollar have lately tended to cause price reductions in Europe. Sterling's recent softness within Europe itself may have been a factor causing a minor revival in business in tops and yarn in the past couple of weeks, but this is not widespread nor has it been experienced by major market sectors. A feature of the limited market recovery for wool in the past eighteen months has been its concentration in the knitting rather than the woven sector.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Jul	590	578	587 581
Sep	597	594	605 585
Dec	627	622	634 614
Mar	656	651	662 641
May	673	668	678 660
Jul	690	685	696 691
Sep	709	704	708 697
Dec	735	730	731

Turnover: 4511 (6480) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 14 759.79 (793.96) 10 day average for Jul 15 784.25 (760.80)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Jul	760	747	747
Sep	772	759	777 756
Nov	784	771	787 767
Jan	798	786	800 782
Mar	816	807	816 798
May	833	823	828 821
Jul	851		847

Turnover: 3137 (1687) lots of 5 tonnes
ICO Indicator prices (US cents per pound) for Jul 14: Comp. daily 49.54 (49.49) 15 day average 47.78 (47.63)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	79.3	80.3	81.0 78.5

Turnover 39 (72) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Oct	120.50	120.50	120.50

Turnover 25 (125) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Jul	1079	1060	1079 1060
Aug	1119	1092	1119 1097
Sep	1138	1128	1138 1136
Oct	1220	1208	1225 1220
Oct	1300	1290	1300
BFI	1059	1057	1059

Turnover 100 (89)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Sep	113.00	113.00	113.00 113.00
Nov	115.80	115.90	116.00 115.80
Jan	119.25		119.45 119.25
Mar	122.30	122.25	122.30
May	125.00	124.80	125.20 125.00
Jun	126.75	126.30	126.80 126.50
Barley	**Close**	**Previous**	**High/Low**
Sep	111.15	111.15	111.25 111.15
Nov	114.50	114.60	114.75 114.50
Mar	120.30	120.05	120.30 120.20
May	121.80	121.40	121.80

Turnover Wheat 184 (155), Barley 136 (46).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	106.0	107.8	107.8
Nov	106.5	106.0	106.0
Feb	100.0	102.0	101.0 100.0

Turnover 7 (31) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 14,781 lots
Cash	1299-9.5	1291-2		1300.5-1		
3 months	1324-5	1316-7	1330/1325	1325.5-6	1325-6	172,370 lots
Copper, Grade A (£ per tonne)						Total daily turnover 41,484 lots
Cash	1328-9	1310-1		1331-1.5		
3 months	1342-3	1326.5-7	1347/1342	1344.5-5	1340-1	131,019 lots
Lead (£ per tonne)						Total daily turnover 6,264 lots
Cash	320-1	311.5-2.5		314-4.5		
3 months	332-3	324-4.5	334/325.5	326-6.25	332-2.5	26,340 lots
Nickel ($ per tonne)						Total daily turnover 3,941 lots
Cash	7420-30	7365-75	7415/7412	7415-6		
3 months	7495-500	7440-5	7500/7470	7480-90	7490-5	25,157 lots
Tin ($ per tonne)						Total daily turnover 1,911 lots
Cash	6990-7000	7045-55		7045-50		
3 months	7025-8	7075-80	7095/7000	7075-80	6990-7000	10,848 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 11,600 lots
Cash	1314.5-5.5	1286-8		1302-2.5		
3 months	1336-7	1308-10	1340/1316	1324-5	1339-40	61,418 lots

LME Closing £/$ rate: SPOT: 1.9263 3 months: 1.8955 6 months: 1.8935 9 months: 1.8653

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	351.70-352.00	
Opening	350.80-351.20	
Morning fix	350.95	182.786
Afternoon fix	350.90	182.144
Day's high	352.00-352.30	
Day's low	350.60-350.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.00	6 months	2.96
2 months	2.97	12 months	3.04
3 months	2.98		

Silver fix	p/troy oz	US cts equiv
Spot	395.05	205.65
3 months	398.30	210.90
6 months	401.90	216.20
12 months	409.95	226.56

GOLD COINS

	$ price	£ equivalent
Krugerrand	360.00-362.00	182.00-184.00
Maple leaf	361.90-364.20	-
New Sovereign	85.00-87.00	44.00-46.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1250	74	103	6	14
1300	38	69	20	29
1350	16	42	48	52
Copper (Grade A)	**Calls**		**Puts**	
2450	123	117	13	50
2550	67	66	46	97
2650	19	34	108	162
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
600	172	184		1
650	123	138	1	5
700	77	96	5	13
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
600	18	51	21	24
625	10	38	38	36
650	5	29	58	52
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
2000	47		41	
2050	26	40	73	
2100	14		108	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	354.0	351.1	0	0
Aug	354.7	351.8	354.8	351.4
Sep	355.5	352.6	0	0
Oct	356.4	353.5	356.6	353.2
Dec	358.3	355.4	358.5	355.0
Feb	360.2	357.3	360.4	357.4
Apr	362.0	359.2	362.3	359.2
Jun	363.9	361.2	363.0	361.3
Aug	366.0	363.4	364.4	363.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	390.5	391.0	389.5	389.5
Oct	385.5	390.5	390.0	386.0
Jan	386.8	388.2	388.0	383.0
Apr	386.8	388.2	385.0	385.0
Jul	386.5	386.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	394.0	393.8	394.5	392.5
Aug	395.0	394.8	0	0
Sep	396.0	395.6	396.8	394.0
Dec	400.0	399.8	400.5	398.0
Jan	401.5	401.3	400.0	400.0
Mar	404.4	404.2	405.0	403.0
May	407.3	407.1	0	0
Jul	410.1	410.0	410.5	410.5
Sep	413.0	413.0	0	0
Dec	417.9	418.1	417.0	417.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	115.75	114.15	116.60	114.50
Aug	115.80	114.30	115.70	114.60
Sep	115.80	114.40	116.85	115.75
Oct	115.05	113.65	0	0
Nov	114.75	113.35	114.25	114.25
Dec	114.35	112.95	115.30	113.10
Jan	113.70	112.35	114.00	112.90
Feb	113.10	111.75	113.10	113.10
Mar	112.35	111.05	112.50	111.30
Apr	111.70	110.35	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.65	9.62	9.68	9.60
Mar	9.41	9.40	9.42	9.39
May	9.34	9.35	9.37	9.34
Jul	9.29	9.28	9.31	9.31
Oct	9.20	9.24	9.20	9.20

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Aug	21.71	21.46	21.73	21.38
Sep	21.60	21.36	21.63	21.28
Oct	21.54	21.30	21.55	21.22
Nov	21.48	21.27	21.48	21.23
Dec	21.41	21.22	21.40	21.19
Jan	21.32	21.14	21.32	21.11
Feb	21.22	21.05	21.22	21.03
Mar	21.10	20.94	21.07	20.93
Apr	20.99	20.84	20.95	20.87
May	20.90	20.75	20.87	20.81

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Aug	6034	5990	6045	5950
Sep	6126	6090	6135	6040
Oct	6221	6191	6230	6150
Nov	6316	6285	6315	6250
Dec	6396	6370	6400	6330
Jan	6421	6395	6420	6360
Feb	6321	6300	6325	6290
Mar	6086	6085	6090	6060
Apr	5886	5845	5845	5840
May	5706	5685	5670	5650

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	954	948	963	953
Sep	998	984	1012	992
Dec	1055	1043	1070	1051
Mar	1101	1087	1110	1097
May	1131	1117	1140	1127
Jul	1156	1145	1160	1153
Sep	1185	1174	0	0
Dec	1226	1215	0	0
Mar	1264	1253	0	0
May	1293	1282	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	59.30	59.35	60.25	59.50
Sep	61.50	61.60	62.70	61.05
Dec	63.75	63.85	64.95	63.35
Mar	66.25	66.40	67.25	66.10
May	70.30	70.25	71.20	70.60
Jul	72.45	72.40	72.45	72.45
Sep	74.30	74.35	74.30	74.30
Dec	77.15	77.20	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	63.60	63.48	64.20	63.25
Dec	62.57	62.58	63.30	62.35
Mar	63.65	63.60	64.30	63.35
May	64.25	64.25	64.90	64.20
Jul	64.90	64.85	65.30	64.80
Oct	63.30	63.30	0	0
Dec	64.00	63.29	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	123.50	125.35	125.00	123.50
Sep	120.70	123.35	123.00	120.70
Nov	114.80	116.55	118.45	114.80
Jan	114.50	115.50	115.00	114.10
Mar	114.60	115.30	115.40	114.50
May	114.60	115.60	115.50	115.50
Jul	114.00	115.00	115.50	115.50
Sep	114.00	115.00	115.50	115.50
Nov	114.00	115.00	115.50	115.50

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul 15	Jul 14	mnth ago	yr ago
1569.9	1584.7	1594.6	1715.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul 14	Jul 13	mnth ago	yr ago
Spot	117.61	117.72	118.96	124.98
Futures	119.13	118.93	119.78	123.13

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	566/6	569/6	563/0	566/2
Aug	569/0	571/4	571/4	568/4
Sep	571/2	573/2	573/4	570/6
Nov	575/6	577/2	578/0	574/0
Jan	583/6	585/2	585/2	581/4
Mar	591/2	593/0	593/2	591/0
May	598/6	600/2	600/0	598/4
Jul	602/6	603/6	604/4	602/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	19.34	19.38	19.47	19.32
Aug	19.37	19.44	19.56	19.36
Sep	19.55	19.60	19.71	19.54
Oct	19.72	19.73	19.85	19.71
Dec	20.02	20.05	20.17	20.00
Jan	20.19	20.16	20.31	20.17
Mar	20.46	20.48	20.60	20.46
May	20.75	20.78	20.80	20.75

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	174.6	175.6	175.1	174.2
Aug	175.3	176.1	175.9	174.9
Sep	176.4	177.1	176.9	176.1
Oct	194.4	194.4	194.4	193.3
Dec	193.7	194.0	194.0	193.2
Jan	193.1	193.6	193.5	192.5
Mar	191.8	193.0	192.7	191.5
May	191.0	192.9	192.0	190.9

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	231/0	234/2	232/6	230/4
Sep	232/2	234/0	233/2	231/4
Dec	235/4	236/6	237/0	235/2
Mar	244/0	245/0	245/0	243/6
May	249/4	250/2	250/4	249/0
Jul	253/2	254/0	254/0	252/6
Sep	252/0	253/0	252/6	251/4
Dec	251/4	251/2	252/2	250/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	349/0	340/2	349/0	341/6
Sep	348/4	341/0	347/4	341/6
Dec	355/4	351/2	356/2	352/0
Mar	357/0	353/2	358/0	354/2
May	347/0	344/0	347/4	344/6
Jul	329/4	327/0	330/0	327/0
Sep	332/0	332/0	332/0	332/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	73.800	74.175	74.100	73.575
Oct	73.600	73.675	73.725	73.325
Dec	71.625	71.675	71.700	71.400
Feb	70.700	70.875	70.900	70.625
Apr	72.075	72.250	72.250	72.000
Jun	69.250	69.350	69.350	69.250
Aug	68.125	68.175	68.300	68.125

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	44.900	45.600	45.300	44.875
Aug	43.025	43.025	43.300	42.650
Oct	38.575	38.375	38.850	38.200
Dec	39.475	39.400	39.675	39.200
Feb	40.200	40.200	40.300	40.100
Apr	39.175	39.250	39.200	38.850
Jun	44.950	45.150	45.050	44.800
Aug	43.025	43.275	43.100	43.025

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	30.350	31.025	31.250	30.250
Aug	27.300	31.025	31.250	30.250
Feb	36.425	27.275	28.050	27.100
Mar	38.050	36.425	36.600	38.250
May	37.250	36.200	36.400	36.050
Jul	36.900	37.400	37.250	36.950

LONDON STOCK EXCHANGE

Footsie unable to hold above 2,500

By Terry Byland, UK Stock Market Editor

AN ATTEMPT by the UK equity market to extend the recovery of the previous session faded away yesterday as investors grew increasingly nervous ahead of this morning's meeting of the Bundesbank's policy-making council. Firmness in the D-Mark emphasised fears that the German central bank might tighten policy today, and cast deeper clouds over prospects for UK interest rates.

Blue chip share prices opened strongly, as an initial gain in the September futures contract on the FT-SE Index buttressed hopes for an extension of the recovery seen at the close of the previous session.

The Footsie Index quickly advanced by 17.1, managing once again to move above the 2,500 mark which has proved an elusive target recently.

But it was soon clear that institutional buying support was sadly lacking and, as the premium on the Footsie contract faded away, so did the gain on the underlying Index. Although the market held in positive territory for the rest of the day, there was little genuine support. A sluggish start on Wall Street, which was 5.68 Dow points off in UK hours, left London to close in lifeless trading.

The FT-SE closed 2.4 higher on the day at 2,486.4. Seaq volume remained low, with the 404m total swollen by the completion of Tuesday afternoon's buy orders. Seaq volume of 374.1m on Tuesday represented customer, or retail, business of only £854.3m, still a dismal figure from the point of view of the London-based securities industry.

The lack of investment interest was reflected in the expectedly poor start for Anglian Group which opened at a discount to the share offer price after a poor response to the public offer. Tomorrow brings the start of dealings in MFI Furniture which had a similarly unsuccessful journey through the public sale process. Shares in Wellcome edged higher as the London market awaited the close of the share offer period at the end of next week.

Traders said that the market had been virtually put "on hold" until the outcome of today's meeting at the Bundesbank is known. Reiterated political support for Britain's place in the European Exchange Rate system left the City of London to wait nervously for any decision on German monetary disciplines.

Two small trading programmes were identified yesterday but, such was the lack of enthusiasm in the market that the overall trend of share prices was not affected.

The banking sector continued to find some support, with the exception of TSB, the UK bank which gave ground as hopes for a bid receded. A few very small, scattered, gains among the store shares reflected little more than a technical rally in a badly-battered area of the stock market.

In its latest analysis of the UK economy, Goldman Sachs commented that "there is now mounting evidence that the Conservatives' election victory has not proved to be the catalyst required to shake the consumer out of its torpor. This is bad news for the manufacturing recovery which started in February."

Account Dealing Dates		
First Dealings: Jun 29	Jul 13	Jul 27
Option Declarations: Jul 9	Jul 23	Aug 6
Last Dealings: Jul 10	Jul 24	Aug 7
Account Day: Jul 20	Aug 3	Aug 17

*New time dealings may take place from 8.30 am two business days earlier.

Thorn hit by Amps and CDs

MUSIC AND leisure group Thorn EMI suffered its third consecutive heavy fall as the continuing worries over the possibility of a Monopolies and Mergers Commission inquiry into compact disc prices were joined by concern over its exposure to auction market preferred stock (Amps).

The nervousness arose in several stocks yesterday with Amps exposure following BET's decision to use a rights issue to repay some of its stock.

Thorn has £115m of Amps and £103m of redeemable convertible preference shares on its balance sheet. There were suggestions as the market opened that counting Amps in as debt would take Thorn's gearing from around 75 per cent to 115 per cent.

Analysts later pointed out that Thorn's gearing was ambiguous because the company writes off so much goodwill in its accounts. However, this argument, together with a strong rebuttal from the group, failed to stem the fall in the shares, which closed 16 adrift at 783p.

Anglian dull

The market debut of Anglian Group, which manufactures and installs replacement windows, went off with very few fireworks. The shares, offered at 210p, opened around the 203p mark and ended the session at 204p.

Dealers said the stock had put up a creditable performance given that only 6 per cent of the shares offered to the public were taken up. Private investors have shunned recent share issues.

The flotation of GPA, the aircraft leasing group, was pulled at the last minute as international investors turned their backs on the stock, while the flotation of 3i, the investment group, was postponed.

Shares in The Telegraph newspaper group opened at a substantial discount to their offer price, while those in Kenwood, the electrical goods group, managed a minor premium on their debut but have since fallen to a discount.

Barclays rallies

A long period of underperformance by Barclays Bank, against the banking sector in general and especially National Westminster, primarily caused by hefty profits downgrades and a series of broker switch recommendations, was to some extent reversed yesterday.

Nomura, the Japanese broking house, was believed to have recommended a switch from NatWest to Barclays, predicting that Barclays would maintain the current year's dividend. Its interim results are expected on August 6.

Barclays shares rallied 12 to 329p on heavy turnover of 5.8m, while NatWest eased a fraction to 339p on 1.8m.

TSB continued to attract some above-average turnover, with 6.7m shares traded by the close. There were hints of a seller of 5m TSB at a shade below the market price.

Buoyed recently by suggestions that a stake-builder had been operating in both the stock market and the traded options, the shares dipped 5 to 139p amid a mixture of profit-taking and switching out of TSB and into Abbey National. The latter edged up 2 to 289p.

Union Discount, which recently revealed heavy losses, remained under pressure, closing 5 off at a 1992 low of 44p; in February 1991 the shares were changing hands at 565p.

Templeton Galbraith, the investment management group, touched 313p before finishing a net 20 higher at 309p after revealing that it is involved in talks which could lead to a takeover bid for the group.

Composite insurances responded to a strong buy note issued by Robert Fleming Securities, with Guardian Royal closing 2 ahead at 137p. The same broker was also said to have been a keen supporter of Willis Corroon, as was Goldman Sachs. Willis improved 5 to 213p.

Lasmo gave another dismal showing in a generally unhappy oils sector, the shares sliding 5 more to 156p after a block of 1.4m was sold into the market at 155p.

An initial setback in ICI, after Moody's Investors Service was said to be considering downgrading some of the company's debt, was more than counterbalanced by a move by James Capel, which turned more positive on the stock. The shares gained 11 on the day at 1152p. Laporte, hit by downgrades from a number of houses on consideration of difficult first-half trading, retreated 10 to 563p.

Anglia Secure Homes shares almost halved, closing 5⅛ down at 6¼p after the group revealed increased losses. Other casualties in a building sector suffering from relentless waves of selling as hopes of interest rate cuts recede every day included Taylor Woodrow, down 5 at 70p.

Alexander Proudfoot plunged 41 to 194p after an agency cross of 1.2m shares at 200p.

Good results from Coca-Cola helped Cadbury-Schweppes to rise 11 to 492p. Cadbury has a canning agreement with Coca-Cola in the UK, where it saw sales growth of 17 per cent in soft drinks last year.

Results ahead of market expectations caused Bulmer to jump 16 to 300p. Analysts, however, reported some nervousness among the Bulmer management about the forthcoming flotation of rival cider maker Taunton, following market talk that some institutions are considering switching out of Bulmer and into the new stock.

Brewery group Whitbread receded 4 to 438p as County NatWest moved negative on the stock, arguing that its high exposure in south-east England, low earnings growth and expensive rating could hamper recovery.

The news that European and domestic short haul cabin crew at British Airways have voted for strike action over pay and conditions weakened sentiment in the shares, which declined 5 to 273p.

A profits downgrade from one of the company's brokers left Ocean Group 7 lighter at 242p. Charterhouse Tilney shaved its current-year figure by £3m to £44m, and the following year's by £4m to £49m. The broker blamed the cut on "weaker trading in the marine services division".

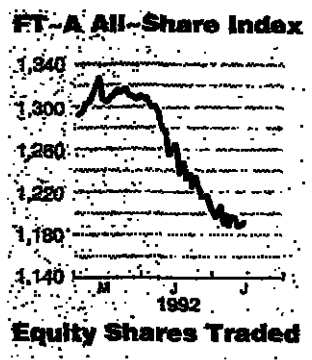
Speculation in the market that TI Group was about to sell its information technology division to Cray Electronics boosted trade in TI and the shares moved ahead 5 to 326p on high turnover of 4.4m. Sentiment was also helped by a Smith New Court recommendation. The division was part of Dowty Group, recently taken over by TI.

Wagon Industrial climbed 12 to 438p, with the company's broker Albert E. Sharp reported to have been among the day's leading buyers.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Steve Thompson.

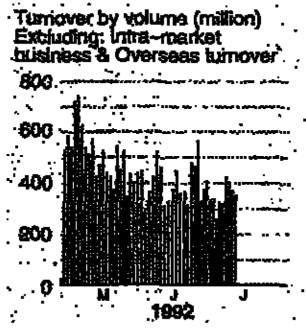
■ Other market statistics, Page 21

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	July 15	July 14	July 13	July 10	July 9	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.54	89.60	89.45	89.66	89.72	84.90	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	106.22	106.25	106.19	106.22	106.15	93.77	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1896.2	1897.4	1890.3	1903.7	1913.9	1978.6	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	88.2	85.7	85.3	84.0	83.8	212.5	160.6 (10/1)	83.8 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2486.4	2484.0	2478.3	2490.8	2497.9	2561.0	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1152.00	1142.98	1149.14	1158.17	1158.82	1182.25	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.89	4.88	4.90	4.78	4.78	4.79				
●Earning Yld %(full)	7.04	7.03	7.06	6.97	7.00	8.41				
●P/E Ratio(Net)(☆)	17.90	17.90	17.85	18.00	17.93	14.62				
SEAQ Bargns 5.00pm	19,206	18,258	18,487	24,968	20,962	29,782				
Equity Turnover(£m)†	-	854.3	883.8	982.8	1042.7	1178.45				
Equity Bargains†	-	21,121	23,693	26,820	23,396	28,689				
Shares Traded (ml)†	-	358.4	373.7	413.5	431.7	530.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 16.65.

Ordinary Share Index, Hourly changes Day's High 1911.2 Day's Low 1894.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1910.1	1907.7	1905.8	1898.8	1895.9	1897.1	1896.1	1898.9	1897.8

FT-SE 100, Hourly changes Day's High 2501.1 Day's Low 2484.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2499.3	2496.7	2495.4	2489.0	2485.4	2486.3	2487.6	2485.8	2486.8

FT-SE Eurotrack 200, Hourly changes Day's High 1155.58 Day's Low 1151.23

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1153.99	1154.62	1153.63	1152.31	1153.09	1152.51	1152.39

GILT EDGED ACTIVITY

Indices*	July 14	July 13
Gilt Edged Bargains	88.9	81.9
5-Day average	86.6	86.2

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	61	475	+2	Comm. Union	218	458	-2	Lonrho	8,800	79	+2	Shell Transport	4,100	485	+5
ASDA Group	5,200	28		Cookson	1,900	147	+1	Lucas	2,500	117	+3	Siebe	425	667	+14
Abbey National	888	289	+2	Courtaulds	998	500	+2	MB Caradon	1,100	241	+4	Slough Ests	1,000	138	
Albert Fisher	2,400	39		Dalgety	214	408	-1	MEPC	445	264	+3	Smith (W.H.) A	271	404	+1
Allied-Lyons	715	634		De La Rue	93	558	+1	Manweb	374	356	+5	Smith & Nephew	3,600	144¼	+½
Amstrad	1,100	33	+½	Dixons	1,000	204	+1	Marks & Spencer	2,800	304	+5	SmKl Beecham	3,400	440	-6
Anglian Water	1,200	411	+2	Eastern Elect	644	275	+3	Midlands Elect	692	308	+5	SmKl Beecham Uts	902	385	-6
Argos	1,730	230	+3	East Midland Elect.	1,500	293	+4	NFC	555	252	-2	Smiths Inds.	746	279	-2
Argyll Group	2,700	359		Eng China Clays	1,100	509	+4	NatWest Bank	1,800	339	-1	Southern Elect	1,200	293	+5
Arjo Wiggins	796	234	+3	Enterprise Oil	287	387	-1	National Power	3,000	251½	+3½	South Wales Elect	544	358	+5
Ass. Brit. Foods	63	425	+1	Eurotunnel Units	409	333	+3	Next	4,000	89½	-1½	South West Water	178	418	+7
[illegible]															
Bass	925	558	+8	HSBC (75p shs)	10,000	346½	+2½	Rank Org.	334	594	-10	Thorn EMI	1,400	783	-16
Berisford Int.	73	15½		Hammerson 'A'	194	283	-2	Reckitt & Colman	737	616		Tomkins	1,000	477	-2
Blue Circle	724	206	-4	Hanson	4,300	206½	-1	Redland	1,000	464	-9	Trafalgar House	1,400	67½	-½
Booker	318	433	-1	Hanson Warrants	663	22	+½	Reed Intl	243	519	-4	Unigate	382	303	+1
Boots	1,000	425	+3	Harrisons Crosfield	782	128	+1	Rentokil	395	163	-1	Unilever	535	946	+3
Bowater	730	771		Hillsdown	2,300	132	-4	Reuters	688	1175	+6	United Biscuits	3,200	347	-2
Brit. Aerospace	2,000	258	+5	IMI	1,400	256	+14	Rolls Royce	2,600	147	+3	Utd Newspapers	205	412	+1
British Airways	2,700	273	-5	ICI	2,100	1152	+11	Rothmans	218	1101	+1	Vodafone	1,800	311	+2
British Gas	5,200	248	-2½	Inchcape	1,400	461	+10	Ryl Bk Scotland	2,300	183	-1	Warburg (SG)	876	473	+14
British Land	1,600	188	+5	Kingfisher	3,300	450		Royal Insurance	204	203	+1	Wellcome	213	878	+1
British Steel	3,500	58	-1	Kwik Save	268	652	+11	Saatchi	32	127	-1	Welsh Water	88	458	
Bunzl	54	92	+1	Ladbroke	1,700	189		Sainsbury	3,300	459	+3	Wessex Water	367	493	+3
Burmah Castrol	145	568	-1	Land Securities	321	380	-2	Scottish & New	876	443	-2	Whitbread 'A'	2,300	438	-4
Burton	2,330	42	-½	Laporte	615	563	-10	Scot. Hydro-Elect.	302	199½	+1½	Williams Hldgs	484	283	+4
Cable & Wire	1,800	543	+3	Legal & General	1,400	354	+6	Scottish Power	3,100	186	+2	Willis Corroon	742	213	+5
Cadbury Schweppes	2,800	492	+11	Lloyds Abbey	415	386	-1	Sears	3,300	84	+2	Wimpey	611	125	+1
Calor Group	188	188		Lloyds Bank	2,300	432½	+½	Sedgwick	954	175	+1	Wolseley	10	353	
Carlton Comms.	442	615	-1	LASMO	3,400	156	-5	Seaboard	256	315	+6	Yorkshire Elect.	170	353	+2
Coats Viyella	783	192	+4	London Elect.	1,500	309	+2	Severn Trent Water	348	404	+2	Yorkshire Water	137	455	+2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

FEARS that the Bundesbank would announce a tightening in German monetary policy today led to a cautious mood in stock index futures, writes Joel Kibazo.

The firm overnight performance on Wall Street led to a confident opening of the September contract on the FT-SE, at 2,525. This, however, proved to be the high of the session, for September soon went into retreat as nerves about the outcome of the Bundesbank meeting took hold.

By 11.30am the contract had fallen to 2,496, the low of the day, and was now trading at a discount to fair value, with sentiment further weakened by the poor performance in the gilts and sterling markets.

Sporadic buying in the afternoon on the back of a higher opening in New York helped September claw back some of the earlier losses. It finished at 2,502, down 7 from the previous session and just below its fair value premium to cash of about 18. Turnover was a poor 5,299 contracts.

In traded options, turnover reached 36,602 contracts, with trading in the FT-SE 100 option particularly busy. It had a total of 15,048 lots dealt, with the July 2,500 calls active. British Steel was the busiest stock option with 1,860 contracts traded.

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Wednesday July 15 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Jul 14 Index No.	Mon Jul 13 Index No.	Fri Jul 10 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (177)	[illegible]									
...	[illegible]										
69	Property (31)	587.08	+0.3	9.92	7.81	13.65	19.44	585.09	580.16	593.63	891.66
70	Other Financial (15)	242.02	+0.7	7.50	7.24	18.05	6.63	240.44	240.30	240.40	257.89
71	Investment Trusts (70)	1136.91	+0.3	-	3.94	-	19.26	1133.73	1134.51	1137.82	1209.34
99	ALL-SHARE INDEX (655)	1191.36	+0.2	-	4.98	-	25.23	1189.23	1187.85	1195.10	1219.47

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 14	Jul 13	Jul 10	Jul 9	Jul 8	Year ago
FT-SE 100 SHARE INDEX§	2486.4	+2.4	2501.1	2484.4	2484.0	2478.3	2490.8	2497.9	2472.6	2561.0

FIXED INTEREST

	PRICE INDICES	Wed Jul 15	Day's change %	Tue Jul 14	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (24)	121.89	+0.06	122.45	1.58	7.25
2	5-15 years (24)	139.77	-0.04	139.82	2.88	6.89
3	Over 15 years (11)	151.32	-0.08	151.45	1.38	6.80
4	Irredeemables (6)	169.86	-0.25	170.29	1.81	7.34
5	All stocks (65)	136.68	-0.01	136.93	2.24	7.15
	Index-Linked					
6	*Up to 5 years (2)*	173.54	-0.12	173.75	1.09	1.83
7	Over 5 years (10)	152.32	-0.43	152.98	0.64	2.74
8	All stocks (12)	154.06	-0.39	154.66	0.70	2.60
9	Debs & Loans (62)	122.50	+0.13	122.34	2.52	6.21

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jul 15	Tue Jul 14	Year ago (approx.)
	British Government				
1	Low	5 years	8.24	8.27	9.03
2	Coupons	15 years	8.68	8.66	9.86
3	(0%-7¾%)	20 years	8.68	8.66	9.86
4	Medium	5 years	9.17	9.17	10.26
5	Coupons	15 years	8.92	8.91	10.06
6	(8%-10¾%)	20 years	8.87	8.86	9.99
7	High	5 years	9.39	9.39	10.44
8	Coupons	15 years	9.06	9.05	10.19
9	(11%-)	20 years	8.98	8.97	10.08
10	Irredeemables	†	8.97	8.95	10.05
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.01	3.97	4.46
12	Inflation rate 5%	Over 5 yrs.	4.35	4.32	4.37
13	Inflation rate 10%	Up to 5 yrs.	3.22	3.18	3.46
14	Inflation rate 10%	Over 5 yrs.	4.16	4.13	4.17
15	Debs &	5 years	10.43	10.44	11.95
16	Loans	15 years	10.19	10.20	11.73
17		25 years	10.06	10.08	11.51

§Opening index 2499.3; 9 am 2486.7; 10 am 2495.4; 11 am 2489.0; Noon 2485.4; 1 pm 2486.3; 2 pm 2487.6; 2.30 pm 2488.5; 3 pm 2485.9; 4.10 pm 2486.6; (a) 8.39am (b) 11.37am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (11).
ELECTRONICS (1) Star Computer, FOOD MANUFACTURING (1) Barr (AG), INSURANCE COMPOSITE (2) Aon, USF & G, INSURANCE LIFE (1) Torchmark, INVESTMENT TRUSTS (3) Indonesia Equity Fd, Kleinwort High Inc Zero Pf, St David's Zero Pf, MEDIA (1) Sterling Pblg., METAL & METAL FORMING (1) Morris Ashby, OTHER FINANCIAL (1) Templeton Galbraith.
NEW LOWS (87).
CANADIANS (1) Intl Corona, BUILDING MATERIALS (5) Heywood Williams, Do Cv Pf, Needler, Pilkington, Tarmac, BUSINESS SERVICES (2) BNB Res, Proudfoot (A), CHEMICALS (1) Leigh Ints., CONTRACTING & CONSTRUCTION (13) AMEC, Anglia Secure Homes, Baris, Ben Bros, Donelon Tyson, EBC, Edmond, Havelock Europa, McCarthy & Stone, Taylor Woodrow, Try, Wilson Bowden, Wilson (C), ELECTRICALS (2) Dale, Dowding & Mills, ELECTRONICS (3) Alphameric, Molynx, P-E Intl, FOOD MANUFACTURING (2) Hillsdown, Sims, FOOD RETAILING (2) Brake Bros, Thorntons, HEALTH & HOUSEHOLD (2) Medeva, Swallowfield, HOTELS & LEISURE (1) Hi-Tec Sports, INSURANCE COMPOSITE (2) Hafnia, Topdanmark, INVESTMENT TRUSTS (9) Equity Consort, European Assets, Gartmore American, Gartmore European, Henderson Highland, Indonesia Equity Wts, St David's Cap, SPLIT Inc, US Smaller Co's, MEDIA (4) Capital Radio, Chiltern Radio, SelecTV, TSW, MERCHANT BANKS (1) Close Bros, MISCELLANEOUS (1) Ricardo, OIL & GAS (4) Lasmo, Midland & Scot. Res., Presidio, Utd Energy, OTHER FINANCIAL (3) Govett, King & Shaxson, Union Discount, OTHER INDUSTRIAL MATERIALS (2) Watts Blake, Wivnecroft, PACKAGING, PAPER & PRINTING (3) Hunterprint, Kymmene, Sonic, PROPERTY (8) Grainger, Greycoat, Hammerson, Olives, Property Tst, Regalian, Sinclair Goldsmith, Wood (JD), STORES (6) Alexon, Asprey, Austin Reed, Stacks Leis, Lloyds Chemists, Do 7½p Prf., TEXTILES (3) Camperl, Utd Uniform Servs, Worthington, TRANSPORT (4) Dawes & Newman, Eurotunnel Units, Ocean, Transport Dev., SOUTH AFRICANS (1) Tiger Oats, PLANTATIONS (1) Highlands, MINES (1) Waverley Finance.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Exch 12¼pc 1992		[illegible]		101¼	[illegible]	12.22	9.91
13½pc 1992		[illegible]		102¼	[illegible]	13.42	9.88
Treas 8¼pc 1993		[illegible]		[illegible]	[illegible]	8.21	9.49
[illegible]							

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Abbott Labs h	16 13/16xd	+3/16	19 1/8	14 5/8	13,586	2.0
♥Allegheny & W	282p	+2	336p	226p	148.5	5.6
Amdahl	986p	+30	1188p	793p	1,018	0.6
Amer Cyanamid	30 1/8	—	37	28 5/8	2,778	2.8
Amer Express	12 7/8xd	+13	13 7/8	10 13	6,115	4.1
Amer T & T	23xd	+3/16	24 7/8	20 1/8	38,580	3.0
Ameritech	34 3/4	—	36 11/16	32 1/2	18,214	5.3
BankAmerica	22 3/16xd	-1/16	27 1/8	19 1/16	7,658	3.1
Bankers NY	31 5/8xd	-1/8	37 1/4	28 7/8	2,621	4.6
Bell Atlantic	24 1/2	—	28 3/4	23 1/8	18,547	5.6
BellSouth	27 1/4	-1/8	29 1/8	25	13,322	5.3
♥Bethlehem Steel	7 5/8xd	+3/16	9 5/8	7	663.6	—
Bowater	1633pxd	+4	1679p	1016p	372.5	6.1
CPC h	25 1/8xd	+1/4	25 5/8	22 1/8	3,865	2.5
♥Cadiz Land Inc	170p	—	342p	168p	-	—
California Engy	647p	—	833p	620p	117.8	—
Campbell Soup	19 3/16xd	+3/16	23 3/16	17 1/8	4,916	2.1
Chase Manhattan	14 5/8xd	+1/4	16 1/2	9 1/8	2,668	4.3
Chrysler	10 1/2xd	—	11 1/2	6 1/4	3,087	3.0
Citicorp	10 3/4xd	—	11 1/4	5 3/4	3,771	—
Colgate-Palm	27 7/8xd	+7/16	29 3/16	25 1/4	4,436	2.3
Cont'l Bank	1087p	-9	1836p	499p	1,017	3.1
Dana	21 1/4xd	+13	24 1/2	14 3/16	884.3	3.9
Data General	410p	—	1084p	388p	113.1	—
♥Decora Inds	104p	—	122p	66p	-	—
Dun & Brad	29 5/8	-1/4	35 1/2	27 7/8	5,285	4.0
Eaton	39 1/4	—	40 1/2	32 1/2	1,349	2.9
Echlin	9 13/16xd	+1/16	11	7 3/8	565.0	3.7
FPL	19 1/8xd	+3/16	20	18 1/8	3,318	6.7
Fluor	20 1/4	—	27	19 3/4	1,632	1.0
Ford Motor	23 13	+7/16	26 1/8	15	11,822	2.2
Gen Elect	40 1/2xd	+1/8	46 1/4	39 1/8	34,990	2.7
♥General Host	429p	-7	585p	380p	-	4.4
Gillette	25 1/8xd	-1/8	29 7/8	23 13	5,506	1.5
Hasbro	14	—	16	12 3/8	1,288	0.7
Honeywell	34 1/4xd	-1/8	43	33 7/8	2,381	2.5
Houston Inds	23 3/8	+1/8	25	22 7/8	3,027	6.7
IBM	51 3/16xd	+3/16	54 1/2	46 1/4	28,142	5.0
Ingersoll-Rand h	13 7/8	-1/8	18 1/2	13 1/8	1,499	2.5
Lockheed	23 1/8	+3/8	26 7/8	22 1/8	1,431	4.8
Lowe's h	1033p	+4	1273p	815 1/2p	793.2	1.4
Merrill Lynch	27 1/4xd	+1/2	30 13	24 1/8	2,799	1.9
Morgan (JP)	32 1/2	+7/16	37 1/2	28 7/16	6,189	3.6
Morris (Philip)	41 1/8xd	+1/4	45 3/16	37 13	37,628	2.7
NYNEX	41 7/8	-1/8	44 5/8	39 5/8	8,665	5.8
For Pacific Agricultural see Cadiz land Inc						
Pall	13 7/8	—	17 13	10 3/16	1,217	1.4
Pennzoil	25 1/2xd	+2 1/8	30 1/4	23 1/8	1,932	6.2
Quaker Oats	30 13xd	-1/4	40 3/16	28	2,311	2.9
Rockwell	11 13	+1/16	15 13	11 1/2	2,000	4.1
Rep NY	21 5/8xd	+1/16	26 3/16	20 7/8	1,124	2.4
Sears, Roebuck	20 5/8xd	+1/8	28	19 3/16	7,114	5.1
Sthwestern Bell	33 1/16	+3/16	35 7/8	31 3/8	8,924	4.6
Sun Co	13 3/16xd	—	16 7/8	13 3/16	1,439	7.1
Tenneco	18 13xd	-3/16	25 7/16	16 1/2	2,325	4.5
Texaco	33 7/8xd	+5/8	36 5/8	30 13	8,757	4.9
Time Warner	59 7/16xd	+3/16	62 1/8	46 1/2	6,508	0.9

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend. xc ex scrip issue. xr ex rights. xa ex all. xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

London Share Prices

Real time share prices are available by calling FT Cityline.

FT Cityline can also provide you with a confidential personal portfolio facility to give you a real time evaluation of your own personal investments.
For a free FT Cityline Share and Unit Trust Directory or to obtain your confidential *Portfolio* PIN call the FT Cityline Help desk on (071) 925 2128.
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AUTHORISED UNIT TRUSTS

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9GG 0244 680066

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inv P'folio	5½	108.8	109.2xd	116.7	+0.4	3.15
Do Accum	5½	119.7	120.1xd	128.4	+0.5	3.15
UK Sel P'folio	5½	89.67	90.51xd	96.80	+0.34	4.64
Do Accum	5½	98.61	99.49xd	106.4	+0.38	4.64

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Tst	5	52.10	52.39	55.73		5.20

Martin Currie Unit Trusts Ltd (0905)H
Saltire Crt, 20 Castle Terrace, Edinburgh 031 479 4646

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific)	5¼	92.14	92.14xd	97.81	+0.07	0.88
Income & Growth	5¼	59.57	60.39	64.10	+0.42	4.37
European (z)	5¼	56.36	56.36	59.80	+0.02	1.08
Nth American (z)	5¼	38.95	38.95xd	41.34	+0.28	0.77
Intl Growth(f9–1)	5¼	67.69	68.83	73.06	+0.63	0.66
UK Growth	5¼	60.32	61.27	65.04	+0.05	1.72
Intl Income	5¼	51.53	52.05xd	55.25	+0.32	4.53
Charities	5¼	89.65	90.89	96.48	+0.51	5.43
Japan	5¼	29.56	29.56	31.38	-0.05	0.19
Emerging Markets ♦	6	55.92	57.14	61.11	+0.36	0.76

For Matheson see Cannon UT

For Mayflower Mngmt see Sheppards UT Mngmt

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2060

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	124.5	124.5	132.3	+1.0	0.00
(Accum Units)	5	133.1	133.1	141.4	+1.10	0.00
American Opps	5	49.51	49.51	52.82	+0.36	0.00
(Accum Units)	5	50.19	50.19	53.54	+0.36	0.00
British Blue Chip	5	61.67	61.70	65.82	+0.28	4.05
(Accum Units)	5	70.54	70.58	75.29	+0.32	4.05
Cash *	0	101.8	101.8	101.8		9.91
(Accum Units) *	0	123.3	123.3	123.3		9.91
European Growth	5	158.3	158.3	168.1	-0.20	0.54
(Accum Units)	5	168.0	168.0	178.3	-0.40	0.54
European Income	5	60.86	60.86xd	64.53	+0.06	3.64
(Accum Units)	5	76.02	76.02xd	80.60	+0.08	3.64
General	5	381.8	383.4	409.0	+2.40	2.97
(Accum Units)	5	709.5	712.7	760.3	+4.70	2.97
Global Bond	5	105.6	105.6	110.9	+0.20	6.66
(Accum Units)	5	112.6	112.6	118.3	+0.30	6.66

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
NPI Americas Acc ♥	5½	71.86	72.39	77.42	+0.43	0.16
NPI Americas Dist ♥	5½	66.50	66.99xd	71.65	+0.40	0.16
NPI European Acc	5½	68.64	69.25	74.06	-0.32	0.21
NPI European Dist	5½	66.61	67.19	71.86	-0.31	0.21
NPI Far East Acc ♥	5½	95.16	95.74	102.40	+0.01	0.01
NPI Far East Dist ♥	5½	93.8	94.3	100.9	-0.01	0.01
NPI Global Dist	5½	52.09	52.40	56.04	+0.12	2.58
NPI O'seas Acc	5½	836.3	842.1	900.6	+0.80	0.69
NPI O'seas Dist	5½	647.4	651.8	697.1	+0.60	0.69
NPI UK Acc	5½	489.2	492.8	527.1	+4.00	3.39
NPI UK Dist	5½	261.6	263.5	281.8	+1.60	3.39
NPI Extra Inc Dist	5½	53.51	53.94	57.69	+0.21	4.91
NPI UK Spec Opp Acc	5½	56.10	56.82	60.77	+0.27	2.59
NPI W'wide Acc	5½	70.89	73.23	78.32	-0.08	0.00
NPI W'wide Dist	5½	67.92	70.16	75.04	-0.08	0.00
NPI W'wide Inc Dist	5½	47.91	49.04	52.45	+0.04	2.68

For National & Provincial UT Mngrs see N&P UT Mngmt

Newton Fund Mngrs Ltd (1200)F
2, London Bridge, SE1 9RA 071-407 4404

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Newton Income	6	158.41	161.92xd	172.26	+0.46	5.11
Newton Global	6	199.51	199.51	212.25	+0.64	1.39
Newton General	6	126.09	129.31	137.78	+0.34	3.09
Newton Intl Bd	6	98.21	99.65	106.02	+0.07	7.47

Norwich Union Tst Managers (1200)H
PO Box 124 51/59 Rose Lane, Norwich 0603 682234

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Master Trust	6	86.02	86.01	91.49	+0.27	3.78
UK Equity	6	105.80	107.39	114.25	+0.60	4.36
UK Equity Income	6	100.50	102.37xd	108.90	+0.48	5.92
UK Smaller Co's	6	89.35	92.69xd	98.61	-0.02	2.99
UK Equity Growth	6	99.29	100.92	107.36	+0.38	4.70
UK Index Tracking F	6	104.79	105.45	112.18	+0.14	4.68
Intl Index Tracking F	6	91.20	91.97	97.84	+0.32	1.51
International	6	148.12	149.72	159.28	+0.52	2.10
European	6	120.93	121.86	129.63	-0.09	1.33
Pan European	6	91.39	92.45xd	98.35	+0.19	3.16
Nth American	6	113.84	114.89	122.22	+0.74	2.35
Nth Amer Smllr Cos	6	98.42	100.37xd	106.78	+1.10	0.00
Japanese	6	52.76	53.55xd	56.97	+0.28	0.00
Pacific	6	122.34	124.19xd	132.12	+0.02	1.13
South East Asian	6	124.28	126.31	134.37	-0.12	1.05
International Bond	6	103.32	103.44	110.04	+0.12	6.29
Gilt & Convertible	6	99.24	99.43xd	105.78	-0.05	8.16
Property F	6	68.07	70.04xd	74.51	+0.07	6.62
Cash Deposit Accum F	0	101.77	101.77	101.77	+0.02	9.53

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 - 379 - 0444.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	251.9	251.9	268.1	+2.3	0.87
(Accum Units)	5	296.5	296.5	315.6	+2.8	0.87
British	5	795.0	811.5	858.6	+0.7	6.29
(Accum Units)	5	1333.2	1360.9	1439.9	+2.2	6.29
European	5	337.8	337.8	359.8	-0.6	1.46
(Accum Units)	5	366.2	366.2	390.0	-0.7	1.46
Japan	5	90.32	90.32	96.00	+0.13	-
(Accum Units)	5	91.04	91.04	96.77	+0.13	-
New Pacific	5	200.3	200.9	214.0	+0.6	1.65
(Accum Units)	5	208.1	208.7	222.3	+0.6	1.65
Investment Tst June 12	0	136.4	138.6	146.9	+1.3	2.50
Mngd Equity	5	123.6	124.6	131.8	+0.1	2.94
Mngd Equity Acc	5	133.2	134.3	142.1	+0.1	2.94
Mngd Cash	0	95.64	95.64	95.64	...	9.63
(Accum Units)	0	122.2	122.2	122.2	...	9.63
Majority Stlg	1	99.74	99.74	100.74	...	9.39
Majority Stlg Acc	1	112.51	112.51	113.63	...	9.39

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
International Jul 15	0	48.02	48.02	48.40	+0.19	1.53

Sun Alliance Unit Tst Mngmt Ltd (1200)F
St Mark's Court, Horsham 0403 232323

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity	6	600.1	607.5	649.7	+3.6	3.14
North America	6	75.53	75.53	80.78	+0.22	0.66
Far East	6	83.66	83.66	89.48	-0.16	0.44
W'wide Bond	6	47.12	47.12	50.15	+0.01	6.34
European	6	66.81	66.81	72.45	-0.27	1.60
Equity Income	6	65.78	66.69	71.33	+1.42	4.57
Portfolio	6	56.01	56.01	59.90	+0.14	1.79
UK Leading Cos	6	42.95	43.55	46.33	...	3.21
Broker Trusts						
Intnl Equity	6	43.22	43.75	46.79	-0.25	2.92

Sun Life of Canada Unit Mgrs Ltd (1080)H
Basingview, Basingstoke, Hants 0800 525725

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	6	24.78	24.78	26.51	+0.28	0.73
Managed Assets	6	98.74	99.41	106.33	+0.62	3.58
UK Income	6	30.32	30.67	32.81	+0.27	5.02
UK Growth	6	30.91	31.26	33.44	+0.22	3.43

Lazard Investors Ltd
Exempt Funds

	Bid Price	Offer Price
Small Co's Jul 15	£3946.1	4215.9
European Jul 15	£576.5	582.5
American Jul 15	£326.0	328.8
Japan Jul 15	£384.8	390.4
Pacific Jul 15	£138.3	141.6
W Midlands Jun 30	£126.30	141.40

Local Authorities Mutual Invest. Tst
2 Fore Street, London EC2Y 5AQ

	Bid Price	Offer Price
Property Jun 30	189.30	193.10
Equity Jun 30	856.95	868.95

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price
Charifund Jul 14		106.66
(Accum Units)		663.02
NAACIF Jul 14		41.25

Morgan Grenfell Investment Funds Ltd
Exempt Funds

	Bid Price	Offer Price
UK Equity † Jul 14	127.3	136.8
UK Small Co † Jul 14	486.7	536.0
Fixed Interest † Jul 14	111.7	117.5
US Small Co Jul 14	134.4	143.8
Managed Jul 14	106.0	113.6
Intl Bond Jul 14	122.7	129.4
Japan Jul 14	56.71	60.41
European Jul 14	91.75	98.20
Nth American Jul 14	103.1	111.0

Morgan Stanley International

	Bid Price	Offer Price
UK Exempt	£1042.61	1068.94
Overseas Exempt	£989.23	967.83

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price
American Exempt	49.42	51.35
European Exempt	50.76	52.33
Fixed Int Ex Jul 15	47.14	47.60
Japan Exempt	34.59	35.66
Managed Ex Jul 9	43.23	44.43
S.E Asia Exempt	77.79	81.25

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Pearl Assurance (Unit Funds) Ltd

Lynch Wood Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or -	Yield Gross
Property Dist. (Gross)	136.3	143.5	....	-
Property Acc. (Gross)	259.8	273.4		-
Equity (Gross)	854.4	899.4	+6.2	-
Managed (Gross)	604.3	636.1	+3.0	-
Property Acc. (Net)	124.1	130.7	+0.1	-
Equity (Net)	198.7	209.2	+1.3	-
Adventurous Managed	91.0	95.8	-0.1	-
Managed (Net)	186.1	195.9	+0.8	-
Cautious Managed	96.4	101.5		-
International (Net)	159.0	167.4		-
Gilt & Fixed Interest	142.8	150.4	+0.2	-
Money Fund	140.2	147.6		-
Mixed Fund (Cap)	115.1	121.2		-
Mixed Fund (Acc)	119.6	125.9		-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	655.7	690.3	+3.4	-
Ret Man (Series 2)	222.3	234.1	+1.1	-
Ret Cash	197.9	208.3		-
Pens Mixed Fd (Cap)	127.5	134.3		-
Pens Mixed Fd (Acc)	132.5	139.5		-
Pens Stlg Fd (Cap)	103.8	109.3		-
Pens Stlg Fd (Acc)	107.9	113.6		-

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd

37-39 Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	130.0	137.0		-
Building Soc. Fd.	223.0	235.0		-
Balanced	264.0	278.0		-
European	209.0	220.0		-
GT Managed	183.0	193.0	+1.0	-
Gartmore Mngd	120.0	127.0		-
German	134.0	142.0	-2.0	-
Gilt	173.0	183.0	-1.0	-
Global	39.0	42.0		-
International Equity	194.0	205.0		-
Japan	153.0	162.0	-1.0	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

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Gartmore Fund Managers (IoM)

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers IoM Ltd

Equitilink International Mngt Ltd

Fidelity Investment (CI) Ltd

Fleming Group

Commercial Union Luxembourg SA – Contd.

Midland Internatnl Circuit Fund SICAV(u)

Fidelity Investment (CI) Ltd

Arbsa Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Global Asset Management – Contd.

Orbis Investment Management Ltd

Orbitex Bahamas Ltd

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Germany calls the EMS tune

ALL EYES were on the D-Mark yesterday, with dealers convinced that the Bundesbank will tighten monetary policy when it meets today, *writes Peter John.*

The worries left the German unit stronger against most European currencies, although most dealers had already taken their positions. Apart from a spate of D-Mark buying late in the day, activity was low.

The market's sense of unease began to build when yesterday morning's Bundesbank repurchase tender resulted in a rise in the minimum-accepted one-month rate to 9.65 per cent from 9.60. There were also comments from the French, Belgian and Italian central banks suggesting they would remain in line with German rates.

The market's conviction was given further impetus after the Bundesbank announced that it would hold a press conference at the end of its council meeting today.

The Bank of Italy had to intervene throughout the afternoon, selling D-Marks to support the lira, which is languishing near the bottom of the EMS ladder. By the close of European trading, the lira had weakened to L760.6 to the D-Mark against a previous close of L758.2. The Italian central bank was still operating into the European evening to defend the lira against heavy speculative selling.

While most observers believe Germany will tighten its grip in some way, there are three possibilities. The most worrying is that the Bundesbank will alter the Lombard rate. This would almost certainly prompt a rate rise in a number of European countries but was thought unlikely yesterday.

There is also a chance that the German bank will make a technical adjustment to the amount which banks can borrow. However, the consensus was that the Bundesbank would raise the discount rate, which affects domestic rates.

A dealer argued that if there is a technical adjustment or the discount rate is tinkered with, there would be general relief and a jump in most currencies against the D-Mark.

Nevertheless, Mr Akis Karayiannis, head of foreign exchange dealing at Lehman Brothers, said the D-Mark's continued strength at a time when everybody expects a discount rate move was a sign that the Bundesbank might have to be more restrictive in the future. "At this late stage we should have seen short-covering of the dollar or selling of long D-Mark positions. The worrying thing is that despite the consensus of a discount rate rise rather than a Lombard rise, the mark was still strong."

The dollar fell to DM1.477 from DM1.490. The pound was down to DM2.845 from DM2.850, while the yen slipped to DM11.81 per Y1,000 from DM11.91. In New York the dollar steadied to end at DM1.4815.

£ IN NEW YORK

July 15	Close	Previous Close
£ Spot	1.9220 - 1.9230	1.9190 - 1.9200
1 month	1.11 - 1.09pm	1.13 - 1.11pm
3 months	3.29 - 3.26pm	3.19 - 3.16pm
12 months	11.2 - 11.1pm	11.0 - 10.9pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 15	Previous
8.30 am	92.3	92.4
9.00 am	92.4	92.4
10.00 am	92.4	92.5
11.00 am	92.4	92.4
Noon	92.3	92.4
1.00 pm	92.3	92.3
2.00 pm	92.3	92.3
3.00 pm	92.4	92.2
4.00 pm	92.4	92.2

CURRENCY MOVEMENTS

Jul 15	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.4	-19.7
U S Dollar	60.2	-18.3
Canadian Dollar	98.2	-3.0
Austrian Schilling	111.3	+12.9
Belgian Franc	113.1	-1.1
Danish Krone	111.3	+4.9
D-Mark	121.2	+26.8
Swiss Franc	108.7	+16.3
Dutch Guilder	116.1	+17.3
French Franc	106.2	-10.8
Lira	99.3	-19.6
Yen	139.6	+76.8
Peseta	108.2	-17.8

Morgan Guaranty changes, average 1980-1982 = 100. Bank of England Index (Base Average 1985 = 100) **Rates are for July 14

CURRENCY RATES

OTHER CURRENCIES

*Floating rate. Iran Official rate £121.00 $64.00

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 15	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	173.744	-2.79	5.82	45
Spanish Peseta	133.631	130.077	-2.66	5.67	45
Belgian Franc	42.4032	42.0561	-0.82	3.71	29
D-Mark	2.05586	2.04000	-0.77	3.66	35
Dutch Guilder	2.31643	2.30057	-0.68	3.57	23
Irish Punt	0.767417	0.765796	-0.21	3.08	0
French Franc	6.89509	6.89085	-0.06	2.93	-9
Danish Krone	7.84195	7.85923	0.22	2.64	-20
Italian Lira	1538.24	1548.03	0.64	2.21	-42
Sterling	0.696904	0.716862	2.86	0.00	-57

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9160 - 1.9275	1.9250 - 1.9260	1.11-1.09cpm	6.86	3.26-3.23pm	6.74
Canada	2.2850 - 2.3030	2.2975 - 2.2985	0.93-0.86cpm	4.67	2.80-2.68pm	4.77
Netherlands	3.2050 - 3.2175	3.2050 - 3.2150	⅛-parcpm	0.47	⅜-⅛pm	0.39
Belgium	58.55 - 58.85	58.55 - 58.65	5-parcpm	0.51	11-4pm	0.51
Denmark	10.9500 - 10.9950	10.9500 - 10.9600	⅝-1⅝oredis	-1.10	1⅜-2⅞dis	-0.78
Ireland	1.0680 - 1.0705	1.0690 - 1.0700	0.02dis-0.01cpm	-0.06	0.05dis-0.02pm	-0.06
Germany	2.8425 - 2.8525	2.8425 - 2.8475	⅛-parpfpm	0.26	¼-⅛pm	0.26
Portugal	241.65 - 243.65	242.60 - 243.60	61-101cdis	-4.00	192-299dis	-4.04

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.21-6.16pm. 12 Month 11.15-11.05pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000. Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

US TREASURY BONDS 8% *
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	102-03	102-08	102-01	101-30
Dec	100-28			100-24

Estimated volume 1196 (1204)
Previous day's open int. 2786 (2658)

6% NOTIONAL GERMAN GOVT. BOND *
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Sep	87.69	87.80	87.66	87.75
Dec	88.16	88.18	88.18	88.21

Estimated volume 29929 (32813)
Previous day's open int. 110949 (107990)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Sep	103.55	103.66	103.56
Dec	103.15		

Estimated volume 1177 (676)
Traded exclusively on APT

9% NOTIONAL ECU BOND
ECU 200,000 100ths of 100%

	Close	High	Low	Prev.
Sep	99.38			99.48

Estimated volume 0 (0)
Previous day's open int. 0 (0)

12% NOTIONAL ITALIAN GOVT. BOND (BTP) *
LIRA 200m 100ths of 100%

	Close	High	Low	Prev.
Sep	94.75	95.32	94.65	95.17
Dec	95.24			95.66

Estimated volume 26534 (13796)
Previous day's open int. 37977 (38890)

THREE MONTH STERLING *

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
106	-	-	-	0.19	-	-
107	0.63	-	-	0.49	0.84	-
108	0.23	0.80	-	1.05	1.33	-
109	0.06	0.45	-	-	-	-
110	0.02	0.23	-	-	-	-
111	-	0.11	-	-	-	-
Open int.	109,796	191,877	3,600	93,946	35,551	3,960

Estimated volume 23,417 Prev. day Total Open Interest 436,732

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Cash futures active

SHORT sterling continued to see very heavy trading as dealers speculated ahead of today's Bundesbank meeting about the prospect of raised interest rates.

The September contract opened two points lower and continued to fall until it reached 89.77, at which stage it was discounting the possibility of a quarter-point rise in interest rates to 10.25 per cent.

It steadied to close around 89.80, its lowest since becoming the front-month contract. Turnover of around 47,000 lots by the official close was the highest during the past three days of active business.

UK clearing bank base lending rate
10 per cent
from May 5, 1992

Dealers said that while sellers were offloading ahead of the prospect of a rate rise there was also significant buying. The bull case was that if the Bundesbank does not lift the Lombard rate but increases the less significant discount rate, short sterling will bounce 20 points to around 90.00. However, if a Lombard rise is announced there will only be a five-point loss.

In the cash market, the three-month interbank rate, which tends to be seen as the most significant indicator of future interest rates, also reflected anticipation of an increase in the base rate. It climbed by two points to close around 10⅛ per cent. Meanwhile, the overnight rate was quoted at 9⅞ per cent and one week money at 10 per cent.

The Bank of England was unable to provide much early assistance to correct yesterday's forecast liquidity shortage of around £1bn. It gave cover of only £42m, with dealers said to have been standing back in the hope of longer term money.

However, it later provided short-term band 1 and band 2 loans. At noon, the Bank provided a further £1.021bn of assistance, bringing total help for the day to £1.063bn. The shortage was revised to around £1.2bn. The Bank later revised its liquidity forecast down by £100m to £1.1bn and gave late assistance of £70m.

● The German money market remained tense as speculation continued that the Bundesbank would tighten policy at today's council meeting. A DM5.5bn addition of funds to the market in a tender for securities repurchase funds did little to relax the market. Call money remained at or just below 9.75 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 15) 3 months US dollars | 6 months US Dollars

bid 3½ | offer 3⅝ | bid 3½ | offer 3⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm			
Prime rate	6	Three month	
Broker loan rate	6	Six month	
Fed.funds	3⅜	One year	
Fed funds at intervention	3⅛	Two year	

July 15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.65-9.75	9.65-9.75	9.65-9.75	9.65-9.75	9.65-9.75	9.75
Paris	9⅞-13¼	9⅞-10⅛	10-10⅛	10-10⅛	9⅞-10⅛	9.60
Zurich	6⅞-6⅞	8⅞-8⅞	-	8⅝-8⅞	-	-
Amsterdam	9.43-9.50	9.45-9.53	-	9.47-9.55	-	-
Tokyo	4⅝-4⅞	4⅝-4⅞	-	-	-	-
Milan	14⅝-14⅞	15⅝-16⅛	-	15¼-15⅞	-	-
Brussels	9⅜-9⅞	9⅜-9⅞	-	9½-9⅞	-	-
Dublin	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	-

LONDON MONEY RATES

Jul 15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10¼	10⅛	10⅛	10¼	10¼	10¼
Interbank Bid	8	9⅞	10	10⅛	10⅛	10
Sterling CDs	-	-	10	10	10	10
Local Authority Deps	10	10	10	10	9⅞	9⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10¼	10	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	10⅛	10⅛	10⅛	10
Treasury Bills (Buy)	-	-	9⅞	9⅞	9⅞	-
Bank Bills (Buy)	-	-	9⅞	9⅞	9⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.25	3.29	3.41	3.64
SDR Linked Dep. Offer	-	-	6⅛	6⅛	6⅛	6⅛
SDR Linked Dep. Bid	-	-	6	6	6	6
ECU Linked Dep. Offer	-	-	10⅝	10⅝	10⅝	10⅜
ECU Linked Dep. Bid	-	-	10⅜	10⅜	10⅜	10¼

Treasury Bills (sell): one-month 9⅞ per cent, three months 9⅞ per cent; six months 9⅞ per cent; Bank Bills (sell): one-month 9⅞ per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 9.3294 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1992. Agreed rates for period July 26, 1992 to August 25, 1992, Scheme I: 11.29 p.c., Schemes II & III: 11.28 p.c. Reference rate for period May 30, 1992 to June 30, 1992, Scheme IV&V: 10.038 p.c. Local Authority and Finance Houses seven days' notice, others seven days fixed. Finance Houses Base Rate 10½ from July 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 6¼ per cent, one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 5, 1992. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,900 Set by DINMUTZ

ACROSS

1 At fourteen, a means of dating (6)
4 Like a good monk, taking to Bede in translation (8)
9 Harvestman has potential energy in hind part (6)
10 Standard means to churn cheese (8)
12 Stimulant drug reduced – what a blow! (6)
13 Waft from French cheeses, say? (6)
15 Dash from the land (4)
16 Brave way to twist new hat (7)
20 Further downpours, we hear, will produce glacial debris (7)
21 Attack Nanny, possibly (4)
25 Autogiro nicely displays what is incongruous (6)
26 Do in a battery? (3-5)
28 Throw club very hard (4-4)
29 A steep fluctuation in foreign currency (6)
30 Pay casual visit to Gatsby, the dandy (8)
31 J. Kelly turns out to be the better half (6)

DOWN

1 Musical baggage-carrier? (8)
2 Crop up again? Bring in the fruit! (6)
3 He has nothing on Longfellow as a short-story writer (1,5)
5 Dress up and swagger (4)
6 Demister fails, leaving black marks (8)
7 Holiday rates revised after the end of June (6)
8 Touching offer? (6)
11 One seen in landing-strip is a fugitive (7)
14 Poet's son has to think in French (7)
17 Realm of party favourite? (8)
18 Civility – true form in homely surroundings (8)
19 But can it be set by yachtsmen ready to leave? (8)
22 Sound accompanying this Roman drinking-vessel? (6)
23 Gamble for a cricket captain? (4-2)
24 Ball used in field? (6)
27 Fish carries a tailpiece, notedly (4)

Solution to Puzzle No.7,899

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS | SWEDEN (continued) — July 15

[illegible]

BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · SWITZERLAND · NORWAY · SPAIN · SOUTH AFRICA · ITALY · SWEDEN · JAPAN · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

CANADA

TORONTO

4:00 pm prices July 15

Quotations in cents unless marked $

[illegible]

MONTREAL

4:00 pm prices July 15

[illegible]

INDICES

NEW YORK

DOW JONES	Jul 15	Jul 14	Jul 13	Jul 10	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3345 42	3358 39	3337 31	3330.56	3413.21 (1/6)	3172 41 (2/1)	3413 21 (1/6/92)	41 22 (2/7/32)
Home Bonds	101 19	101 17	101.08	101.11	101 19 (15/7)	99 41 (20/3)	101 19 (15/7/92)	54 99 (1/10/81)
Transport	1317 64	1311 29	1309.04	1303.25	1467 68 (20/2)	1277 65 (26/6)	1532.01 (5/9/89)	12 32 (8/7/32)
Utilities	220.89	220 58	219 02	218 64	225 59 (3/1)	200 74 (8/4)	226 23 (2/1/90)	10 50 (8/4/32)

♦Day's High (u) (3371 59) Low (u) (3315 97)

STANDARD AND POOR'S

	Jul 15	Jul 14	Jul 13	Jul 10	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417 10	417 68	414 87	414 62	420 77 (15/1)	394 50 (8/4)	420 77 (15/1/92)	4 40 (1/6/32)
Industrials	489 62	490.19	486 62	485 94	499 27 (15/1)	470 91 (8/4)	499 27 (15/1/92)	3 62 (21/6/32)
Financial	36 32	36 64	36 46	36 65	36 65 (10/7)	32 40 (8/4)	36 65 (10/7/92)	8 64 (1/10/74)
NYSE Composite	229.20	229.51	228.04	227 88	231.85 (15/1)	217 92 (8/4)	231 85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	386 87	386.06	383 14	382.32	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	575.47	575.21	570.22	567.80	644.92 (12/2)	547.84 (26/6)	644 92 (12/2/92)	54.87 (31/10/72)

	Jul 10	Jun 26	Jun 19	year ago (approx.)
Dow Industrial Div. Yield	3 13	3.14	3.14	3 08

	Jul 8	Jul 1	Jun 24	year ago (approx.)
S & P Industrial div. yield	2.68	2.66	2.72	2 96
S & P Indl. P/E ratio	28.45	28.74	28 14	16 95

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Coca-Cola	2,980,400	40½	- 1
Telefonos	2,562,800	48¼	+ ¼
Unisys	2,337,500	9¾	+ ½
Ford Motor	2,254,400	45¼	..
RJR Nabisco	2,118,200	9½	+ ⅛
IBM	2,078,600	99¼	+ 2⅜
BankAmerica	1,711,400	41¼	- 1½
Walt Disney	1,692,200	36⅝	+ ¼
Toys R Us	1,560,100	36¼	+ ⅞
MNC Fin	1,476,200	11¼	- ¼

TRADING ACTIVITY

† Volume Millions	Jul 15	Jul 14	Jul 13
New York SE	204 960	194 350	148 820
Amex	11 423	10.792	9 641
NASDAQ	(u)	167 196	152 929
NYSE			
Issues Traded	2,302	2,294	2,298
Rises	904	1,094	978
Falls	804	636	739
Unchanged	594	564	581
New Highs	114	92	108
New Lows	18	25	21

CANADA

TORONTO	Jul 15	Jul 14	Jul 13	Jul 10	1992 HIGH	1992 LOW
Metals & Minerals	3194.64	3210.36	3203 69	3203.87	3238 87 (16/1)	2828 26 (8/4)
Composite	3472.03	3463.17	3449.23	3447.55	3666 00 (16/1)	3318 10 (8/4)
MONTREAL Portfolio	1842 82	1841.63	1832.71	1832.71	1937 59 (16/2)	1727 04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50: Standard and Poor's – 10, and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

AUSTRALIA · AUSTRIA · BELGIUM · DENMARK · FINLAND · FRANCE · GERMANY · HONG KONG · IRELAND · ITALY · JAPAN · MALAYSIA · NETHERLANDS · NORWAY · PHILIPPINES · SINGAPORE · SOUTH AFRICA · SOUTH KOREA · SPAIN · SWEDEN · SWITZERLAND · TAIWAN · THAILAND · WORLD

[illegible]

Euro Top-100 (26/6/90)	896.35	897.83	897.53	903 73	976.55 (25/5)	870.31 (2/1)

**Saturday July 11. Taiwan Weighted Price: 4384.52. Korea Comp Ex: 519.50.
& Subject to official recalculation. *Calculated at 15.00 GMT
Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen, MIB Gen, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday 15 July 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk	6.7m	895	+22	Nippon Kinzoku	4 0m	537	+21
Koa Denko	6.2m	833	+9	Nippon Zeon	3.5m	654	+21
Toshiba Corp	6.5m	664	-1	Dowa Mining	3.2m	617	+8
Meiji Seika	4 7m	722	+52	Denki Kagaku	2.8m	380	-3
Taiyo Fishery	4.2m	485	+1	Snow Brand	2.8m	854	+16

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. [illegible] unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

4:00 pm prices July 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp	0.48	3.8	20	545	13	12½	12⅝	-⅛
26	18⅛	A L Labs A	0.18	0.9	82	47	20⅞	20½	20½	-⅛
68¼	53½	AMP Inc	1.52	2.8	22	4668	55¼	54½	54⅝	-⅛
80¼	60⅞	AMR			17	29770	66⅛	64⅞	65½	+1⅜
2⅛	1⅛	ARX			2	20	1⅝	1⅝	1⅝	
53½	38¼	ASA	2.00	4.8	27	461	41⅞	41⅜	41⅞	+⅛
34¼	28⅛	Abbott Lab x	0.60	2.0	21	12088	30⅞	30⅛	30¼	-¼
13⅞	12	Abitibi Pr x	0.50	3.8	9	35	13¼	13	13⅛	
11⅝	10⅛	ACM Gvt In x	1.11	9.9		198	11⅜	11¼	11¼	-⅛
10⅜	9⅛	ACM GvOpp x	0.94	9.6		39	9⅞	9¾	9¾	
9½	8½	ACM Gvt Sp	0.92	9.8		366	9⅜	9¼	9⅜	+⅛
11¼	10⅛	ACM Gvt Se	1.13	10.4		486	11	10⅞	10⅞	
10	8⅝	ACM Man x	0.98	10.2		112	9⅛	8⅝	9⅝	-⅛
12⅞	10⅝	ACM Mangd x	1.21	10.6		73	11¼	11⅛	11¼	
17¼	4¾	Acme Cleve	0.40	6.7	20	115	6⅛	6⅞	6	-⅛
6¼	4⅞	Acme Elect			4	36	5⅛	4⅞	5⅛	+⅛
33¼	18¼	Acuson			11	1948	18½	18⅜	18⅜	-⅛
19½	18⅛	Adams Expr	1.63	8.6	0	172	18⅞	18¾	18⅞	+⅛
49⅛	29½	Ad Micro	3.00	8.8		674	34⅛	34	34⅛	+⅛
21½	7½	Ad Micro P	3.00	33.8		38359	8⅞	8¾	8⅞	+⅛
9⅛	5	Advest Grp	0.16	2.4	67	308	6⅞	6½	6¾	+⅛
37¼	33	Aegon ADR	1.66	4.5	7	2	u37¼	37¼	37¼	+¼
47	38⅛	Aetna LI	2.76	6.5		87055	42⅛	42	42⅝	-¼

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Quote Close	Ch'ge Prev. Close
28½	24⅞	Xtra 1.94	1.94	6.9		8	28¼	28¼	28¼	+⅛
37	28½	Xtra Corp	0.80	2.3	13	45	35½	35⅛	35½	+¼
28	25¼	Yankee Egy	1.66	6.0	12	30	u28	27⅞	27⅞	-⅛
1½	½	Zapata			40	65	⅞	13/16	13/16	-1/16
11⅛	6¾	ZenithElec			3	278	7½	7¼	7½	+¼
19½	14½	Zenith Nat	1.00	5.5	8	19	18¼	18¼	18¼	
7⅛	6	Zenix Inc	0.82	11.7		83	7	6⅞	7	
13¾	10	Zero Corp	0.40	3.5	18	120	11⅝	11	11⅜	+⅜
38	27¼	Zurn Ind	0.88	3.0	32	281	29¼	29	29¼	+⅛
14⅛	12	Zweig Fund x	1.15	8.9		427	13	12¾	12⅞	
11	9½	Zweig Totl x	0.96	9.5		845	10¼	10⅛	10⅛	-⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

AMEX COMPOSITE PRICES

4:00 pm prices July 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	26	22	12⅝	12½	12½	-¼
Pet HI&P	1.14	16	2	14¾	14¼	14½	
Phil LD	0.21	16	882	38⅜	37⅞	38⅜	+⅛
Pittway A	1.10	16	7	30¾	30½	30½	
Ply Gem	0.12	22	67	11⅝	11⅛	11¼	-⅛
PMC	0.66	15	16	10½	10¾	10⅜	-⅛
PresidioA	0.10	1	195	2	1⅞	2	

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FINANCIAL TIMES

NASDAQ NATIONAL MARKET

4:00 pm prices July 15

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		24	4378	23¼	21⅜	22	+¼
Xoma Corp		8	729	13½	13	13½	+½
Yellow Fr	0.94	20	832	25⅜	24⅝	24⅞	-⅜
York Rsch		6	1339	5	4⅝	4⅞	+⅛
ZionsUtah	1.44	11	90	55½	53¾	54¼	+½

AMERICA

Dow eases on setback in industrial production

Wall Street

US SHARE prices finished on an easier note yesterday in the wake of some mixed corporate earnings reports and news of the first decline in industrial production for five months, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 12.97 at 3,345.42, having spent the entire day in negative territory. The Standard & Poor's 500 eased 0.58 to 417.10, although the American SE composite managed to post a slight gain of 0.79 at 386.87, while the Nasdaq composite edged up 0.26 to 575.47. Turnover on the New York SE came to 205m shares.

The morning's news of a 0.3 per cent dip in June industrial production, the first fall in the indicator since January, and a 0.4 percentage-point decline in capacity utilisation, provoked only a modestly negative reaction from investors. Although the figures confirmed that the economic recovery has been extremely sluggish, the very weak June employment report released almost two weeks ago had prepared the market to expect lower output numbers.

Second-quarter earnings continued to provide some direction for individual stocks. AMR, parent of American Airlines, rose $1⅞ to $65½ in active trading in spite of reporting a net loss for the three months of $166m. If write-offs related to a computer project and the settlement of a class-action lawsuit are excluded, the carrier's underlying operating earnings were stronger than expectations.

The news from AMR lifted other big airline stocks. Delta advanced $1¼ to $56¾, UAL $2 to $116¼ and USAir $⅜ to $13⅝.

Although American Home Products reported record second quarter earnings of $296.1m (up 12 per cent from a year ago), the drugs group's shares fell $2⅛ to $72¾, investors being disappointed by the earnings per share.

TRW moved ahead $1⅜ to $56⅝ on news of second quarter net income of 96 cents a share, more than double last year's 39 cents a share, although that included a big charge.

Motorola climbed $2 to $82¾ after the company revealed, late on Tuesday, second quarter earnings of $146m, up from $119m a year earlier.

Cigna lost $1⅛ to $54⅝ after the insurance giant warned that its April-June profits would fall below the $1.25 a share forecast by industry analysts.

On the Nasdaq market, Sunrise Technologies jumped $1⅞ to $9⅝ after stating that the US Food and Drug Administration had cleared Sunrise's holmium laser system for marketing in the treatment of glaucoma.

Herbalife fell $⅞ to $7¾ on a report that two senior executives at the company have cut their holdings in Herbalife by more than $2m since late May.

Canada

TORONTO closed modestly firmer after active trading. The TSE 300 index put on 8.9 to 3,472.0, while rises outscored declines by 292 to 243. Volume totalled 30.4m shares, valued at C$354.5m.

Nine of the 14 sub-groups closed higher. Golds climbed a further 2.34 per cent. Two of the sub-group's most heavily weighted stocks, American Barrick and Placer Dome, were up C$⅝ to C$34⅝ and C$¼ to C$13¾ respectively.

Brazil recovers most of its June decline

Antonia Sharpe picks out winners and losers among the world's emerging markets

Allegations of corruption against President Fernando Collor prompted a 30.7 per cent fall in Brazilian equities in dollar terms last month, but most of the losses have since been recouped as the passing of some important economic reforms has lifted investor confidence.

According to emerging markets data provided by the IFC, part of the World Bank, Brazil was the poorest performer in June, while Turkey came out on top after several months of decline.

Mr Eduardo Farria, an analyst at Latin American Securities, says the Brazilian press was "besotted" with the allegations against the president in June, and that the Congress's passing of a reform to streamline the country's ports, and the approval of a complex review of civil servants' pay by the Senate, had been overlooked by the market.

He adds that since the government pushed through these economic reforms, no easy task in the midst of a presidential crisis, the market has become cautiously optimistic that the government's fiscal package could be passed by Congress. This could set the scene for inflation to come down.

Another stimulus for the market in early July was news that Brazil and its foreign creditor banks had reached agreement on a Brady-style restructuring of some $44bn of commercial bank debt.

This was another feather in the cap for Mr Marcílio Marques Moreira, the economy minister, who is increasingly seen as a figure of stability within the government. Indeed, since the start of July, the Bovespa index in dollar terms has risen by 1.64, or 28.2 per cent, to 7.46.

Mr Farria warns that share prices could fall back if any evidence implicating the president is produced. "But the most likely scenario is that the president will stay," he says.

Elsewhere, Turkey's 27.8 per cent rebound in dollar terms last month, reducing its fall since the start of the year to 39.1 per cent, has fanned analysts' hopes that a turnround has finally begun.

Investors reacted positively to changes, passed last month, in the capital market law, permitting institutional investors to invest in the stock market.

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	Dollar terms Jun 30 1992	% Change over month	% Change on Dec '91	Local currency terms Jun 30 1992	% Change over month	% Change on Dec '91
Latin America							
Argentina	(29)	1,308.43	-22.8	+1.9	71,861,468	-22.8	+1.1
Brazil	(69)	106.18	-30.7	+1.2	111,978,077	-16.2	+220.0
Chile	(35)	2,051.76	+2.0	+33.0	5,519.27	+2.2	+23.6
Colombia	(20)	1,040.96	+15.1	+29.1	6,927.93	+16.6	+33.9
Mexico	(66)	1,519.43	-14.2	+4.8	24,534.92	-13.8	+6.0
Venezuela	(17)	530.12	-0.7	-21.6	4,612.77	+0.5	-15.8
East Asia							
South Korea	(91)	218.54	-0.8	-23.6	208.83	0.0	-20.4
Philippines	(30)	2,100.39	+14.7	+46.1	2,636.11	+11.6	+38.6
Taiwan, China	(70)	608.28	+0.4	-3.4	375.49	-0.7	-7.7
South Asia							
India	(62)	376.88	+4.0	+36.9	861.96	+4.8	+51.0
Indonesia*	(63)	69.86	+4.1	+25.3	78.94	+4.3	+28.3
Malaysia	(62)	166.97	+1.5	+16.2	172.42	+1.3	+7.0
Pakistan	(58)	302.28	+6.6	-5.3	491.80	+6.7	-3.8
Thailand	(51)	347.88	+9.8	+9.7	324.21	+9.1	+10.8
Euro/Mid East							
Greece	(32)	404.08	+11.1	-2.4	583.94	+7.2	-3.4
Jordan	(27)	102.39	+2.3	+6.5	178.60	+1.3	+4.1
Portugal†	(30)	425.52	+1.0	-0.9	348.67	-3.4	-5.8
Turkey‡	(25)	51.77	+27.8	-39.1	464.59	+27.7	-17.5

Source: International Finance Corporation. Base date: Dec 1984=100. *Dec 1989=100 †Jan 1986=100. ‡Dec 1986=100.

Tax breaks have also been offered to mutual funds if they place 25 per cent of their portfolio in equities. The prospect of a big cash injection has been welcomed by brokers since, in the past, trading in the stock market has been shallow and influenced by the whims of retail investors.

A fall in inflation, and the low valuations of Turkish equities compared with other emerging markets, especially in Latin America, have attracted foreign investors, comments Ms Nur Agis Pekin at Schroder Securities.

Mr Ben Hakham, at Carnegie International, also attributes the stock market's rebound in June to seasonal factors, as the arrival of tourists has taken pressure off the Turkish lira, which in turn has allowed the Treasury to reduce the yields on its bills.

EUROPE

Bundesbank casts shadow over continental equities

TODAY'S Bundesbank meeting is to be followed by a press conference, which implies there is something to discuss in Frankfurt. This kept bourses muted yesterday, *writes Our Markets Staff.*

FRANKFURT slowed to a crawl: a Bundesbank board member repeated the official exhortation that M3 growth was too high, and the DAX index retreated to close 0.52 higher at 1,734.62, after a 0.81 rise to 687.13 in the FAZ at midsession. Turnover fell from DM4.2bn to DM3.9bn.

Retailers improved after a first half increase of 8.7 per cent in sales from Karstadt, which also said that it saw the first signs of improving consumer sentiment in June. Karstadt rose DM10.50 to DM645.50, Kaufhof by DM5.50 to DM515.50 and Douglas by DM25 to DM570.

Mr Adrian Hopkinson at County NatWest said that investors were looking at higher German consumer spending power in the second half of this year; aware that the fall in the dollar emphasises this point; and more comfortable with domestically oriented stocks as the cyclicals, which make up the great bulk of the German market, come into question.

Among special situations, the tyremaker, Continental, dropped DM8 or 3 per cent to DM255.80 after a German court of appeals effectively upheld Conti's 5 per cent limit on shareholder voting rights.

PARIS resumed trading after a four-day weekend and followed the bond market lower in dull trading. The CAC 40 index fell 6.18 to 1,853.26 in turnover of FFr1.5bn.

Hachette, the debt-laden French media group which plans to merge with the defence group, Matra, was one of the day's more prominent losers, dropping FFr8 or 6.8 per cent to FFr109. Dealers attributed the sharp fall to mounting speculation that the stock will be removed from the CAC 40 index by the end of the year.

Euro Disney fell FFr2.80 to FFr103 on rumours of disappointing hotel occupancy.

MILAN recovered some of its opening losses but closed the July trading account lower as industrials came under selling pressure after Tuesday's gains. The Comit index fell 2.58 to 445.42 in turnover estimated at more than Tuesday's L95.4bn.

Fiat dipped L49 to L5,211 and fell to L5,160 after hours. Stocks controlled by Mr Carlo De Benedetti were also weaker, with Olivetti dropping L55 to L3,010.

Among telecoms, Stet fell L17 to L1,620 but Italcable remained firm after the company's upbeat presentation on Monday, adding L50 to L4,660.

ZURICH softened its opinions and hardened its share prices. The SMI index rose 9.3 to 1,844.4 as expectations receded that the Bundesbank would tighten its credit policy; and bearers in the temporary employment group, Adia, under strong pressure recently on a poor view of 1992, topped the active list as it recovered SFr14 to SFr230. Dealers said that speculators appeared to be playing the share, making it very volatile.

MADRID tumbled, driven sharply lower by concern over the Spanish economy, including yesterday's 40.4 per cent increase in the January to June budget deficit. The general index fell 3.47 to 231.07.

There were continued heavy falls, some of 10 per cent or more in the construction sector, an obvious victim of budget cuts, but dealers noted that the losses hit banking, and the traditional safe haven of utilities, as well.

AMSTERDAM was quietly firmer as the CBS Tendency index added 0.5 to 122. BRUSSELS ended mostly higher in light trading as investors awaited signals on European interest rates from the Bundesbank. The Bel-20 index rose 6.67 to 1,171.86 in slim turnover of BFr478m.

More than a quarter of turnover was accounted for by Petrofina, which rose BFr25 to BFr11,000.

OSLO jumped 2 per cent from a 1992 low, buoyed by foreign buying of Norsk Hydro and Hafslund Nycomed. The all-share rose 7.69 to 391.99 in turnover of NKr235m. HELSINKI hit its second consecutive 1992 low, the Hex index falling 6.0 to 729.4.

VIENNA fell to new 1992 lows ahead of today's Bundesbank council meeting. The ATX index fell 3.75 to its second consecutive record closing low of 860.11.

TEL AVIV rose sharply for the second consecutive day in very high turnover. Declarations that Israel would get US loan guarantees, and the reaction to a mild 0.1 per cent consumer price index rise in June left the blue chip index 2.61, or 1.7 per cent higher at in turnover of Shk163.

FT-SE Eurotrack 100 - Jul 15

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1124.73	1124.86	1124.20	1123.66	1123.72	1123.58	1123.95	1122.53

Day's High 1124.97 Day's Low 1121.98

Jul 14	Jul 13	Jul 10	Jul 9	Jul 8
1124.22	1121.63	1129.14	1128.17	1121.53

Base value 1000 (26/10/90).

ASIA PACIFIC

Nikkei stays ahead despite late fall in bonds

Tokyo

WHILE A late fall in bond prices prompted afternoon selling, the Nikkei managed to stay ahead on foreign and institutional buying, *writes Emiko Terazono in Tokyo.*

The index gained a net 52.29 at 17,116.92. It opened at the day's low of 17,092.13, and registered a high of 17,274.49 in the afternoon on the back of a higher futures market.

Volume rose to 240m shares from 208m. Gains led declines by 533 to 347, with 215 issues unchanged, while the Topix index of all first section shares put on 4.69 to 1,298.84. In London the ISE/Nikkei 50 index firmed 1.86 to 1,026.43.

Most traders have been heartened by the Nikkei's reluctance to fall below 17,000. Mr Nick Cant at Baring Securities said: "One feature of the market is that it does not feel as if it wants to go down." He added that foreign demand for leading blue chips and buying orders by domestic institutions at lower levels was providing underlying support.

However, in the next few months traders do fear a spate of downward revisions for earnings forecasts for the first six months of the fiscal year.

Meiji Milk Products was the day's most active issue, climbing Y22 to Y995. KOA, in electronics, advanced Y9 to Y933 on hopes of a rise in demand on the back of a US recovery. Other electronic parts makers also gained ground on the US recovery theme, with TEAC adding Y30 at Y991 and Advantest Y110 at Y2,490.

Horiba, the leading maker of automotive emission analysers, surged Y260 to Y2,300 on reports that the US government intended to implement tighter rules on car emissions. Horiba has a dominant share in auto emission analysers in Japan and the US.

Nippon Credit Bank receded Y150 to Y5,230. The bank has remained under small-lot selling pressure due to concern about troubled loans at its financial affiliates. Nippon Credit Bank denied reports of huge outstanding debt, and said restructuring of the companies was progressing smoothly.

In Osaka, the OSE average appreciated 79.54 to 19,611.35 in volume of 14.6m shares.

Roundup

FIRMER markets in the US and Japan made a limited impression in the Pacific Basin region. Bangkok was closed for a holiday.

AUSTRALIA was depressed about prospects for its own economy, and although golds went up on the higher bullion price, and banks bounced after a weak morning, the All Ordinaries index ended 2.1 easier at 1,636.7 in turnover of A$254.3m.

Among banks, ANZ gained 3 cents to A$3.75 after falling to A$3.66 earlier. However, St George slipped 10 cents to A$5.95 on talk of a rights issue.

One stock affected by expectations of slower earnings growth was Coca-Cola Amatil, which closed 3 cents down at A$6.97, moving below A$7 for the first time since March 1991.

SINGAPORE saw bank and marine issues fall on poor sentiment and the liquidation of positions. The only bright spot was the listing of property company Liang Court Holdings, which finished 10 cents above the offer price of 70 cents after brisk volume. The Straits Times Industrial index shed 2.63 to 1,481.15 in volume of 70.61m shares, including 30.75m of Liang Court.

KUALA LUMPUR encountered profit-taking and the composite index fell 5.58 to 612.36. Malaysia Public Finance, which was listed yesterday, closed at M$2.24 against the issue price of M$2. It was the day's most active stock with 13m shares traded.

SEOUL went into reverse again after Tuesday's gains, with rumours of another financial scandal persisting. The composite stock index weakened 12.89 to 514.19. Turnover amounted to Won146.37bn.

HONG KONG advanced as funds and retail investors switched to selected second-liners. The Hang Seng index closed 28.27 up at 6,125.46. Turnover eased to HK$3.41bn from HK$3.74bn.

China-owned Hai Hong Holdings, which made its debut, closed at HK$4.23 compared with an issue price of HK$1.50.

TAIWAN saw a technical rebound and the index ended 44.82, or 1 per cent, higher at 4,352.51. Turnover remained thin at T$19.35bn.

BOMBAY brokers resumed trading, ending a month-long boycott in protest against the seizure of shares in connection with a securities scandal.

Share prices fell broadly, the BSE index finishing 167.62, or 5.5 per cent, down at 2,912.92. ACC lost Rp100 to Rp4,800.

SOUTH AFRICA

HOPES that democracy talks would resume and a steady gold price lifted Johannesburg after the recent falls. The industrial index closed 37 up at 4,263 and the overall index was 36 higher at 3,468. The gold index was up 29 at 1,060.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JULY 15 1992 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JULY 14 1992 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1992 High	1992 Low	Year ago (approx)
Australia (69)	144.21	−0.6	111.04	113.99	110.78	128.91	−0.2	4.23	145.09	112.44	114.64	112.39	129.19	153.68	140.94	144.85
Austria (19)	165.90	+0.3	127.74	131.14	127.44	127.56	−0.1	2.29	165.43	128.21	130.72	128.15	127.75	186.70	162.46	177.54
Belgium (42)	150.37	+1.1	115.78	118.85	115.50	112.91	+0.4	5.45	148.80	115.32	117.56	115.26	112.47	150.37	135.87	126.22
Canada (115)	129.80	+0.5	99.94	102.60	99.70	112.13	+0.5	3.17	129.15	100.09	102.04	100.04	111.61	142.12	124.32	140.53
Denmark (35)	247.04	+0.8	190.21	195.28	189.76	191.18	+0.1	1.84	245.03	189.90	193.81	189.81	190.96	273.94	226.81	249.48
Finland (15)	77.52	+0.9	59.69	61.28	59.55	65.83	+0.4	2.14	76.86	59.57	60.73	59.54	65.55	89.80	73.64	94.35
France (104)	164.39	+0.4	126.58	129.94	126.27	128.74	−0.3	3.63	163.81	126.95	129.42	125.88	129.18	168.75	148.06	126.77
Germany (65)	129.25	+1.0	99.52	102.18	99.28	99.28	+0.2	2.32	127.95	99.16	101.11	99.11	99.11	129.32	114.67	105.24
Hong Kong (54)	257.99	+0.4	198.64	203.92	198.18	256.11	+0.4	3.18	256.96	193.15	203.04	199.07	255.03	259.55	176.36	165.58
Ireland (16)	166.02	+2.7	127.83	131.23	127.53	129.71	+1.9	4.18	161.65	125.28	127.73	125.22	127.25	173.71	151.78	143.81
Italy (78)	69.45	−0.4	53.47	54.89	53.34	58.30	−0.9	3.58	69.72	54.03	55.09	54.01	58.81	80.86	66.03	69.89
Japan (473)	102.15	+0.3	78.65	80.74	78.47	80.74	+0.4	1.05	101.79	78.89	80.43	78.88	80.43	140.95	88.70	128.55
Malaysia (69)	248.15	−0.9	191.07	196.15	190.61	238.79	−0.9	2.63	250.47	194.11	197.90	194.02	240.92	250.47	212.49	221.34
Mexico (18)	1437.74	−0.2	1107.03	1136.48	1104.40	4900.55	−0.1	1.22	1440.78	1116.61	1138.42	1116.10	4907.36	1789.77	1355.22	1124.85
Netherland (25)	167.18	+1.1	128.73	132.15	128.42	127.16	+0.3	4.41	165.34	128.14	130.64	128.08	126.78	167.18	147.88	134.78
New Zealand (14)	47.81	−0.3	36.66	37.64	36.57	46.29	+0.0	4.91	47.74	37.00	37.72	36.98	46.32	48.52	42.01	48.66
Norway (23)	173.98	+2.6	133.96	137.53	133.65	137.20	+2.0	1.84	169.64	131.48	134.05	131.42	134.53	192.95	161.26	191.54
Singapore (38)	217.88	−1.1	167.76	172.23	167.36	161.75	−1.1	2.05	220.20	170.66	173.99	170.57	163.60	229.63	192.76	190.84
South Africa (61)	205.06	+1.9	157.89	162.09	157.51	173.55	+0.9	2.98	201.23	155.95	159.00	155.88	171.97	263.60	197.04	252.51
Spain (49)	149.46	−1.2	115.08	118.15	114.81	106.83	−1.4	5.50	151.25	117.22	119.52	117.17	108.40	161.72	146.86	143.18
Sweden (29)	195.02	+0.8	150.16	154.16	149.81	154.82	+0.1	2.63	193.52	149.98	152.91	149.92	154.70	200.28	173.09	190.70
Switzerland (63)	113.20	+1.4	87.16	89.49	86.97	93.76	+0.6	2.29	111.64	86.52	88.22	86.49	93.23	113.51	95.99	91.22
United Kingdom (228)	190.75	+0.8	146.87	150.77	146.51	146.87	+0.2	5.05	189.22	146.65	149.50	146.56	146.64	200.07	165.85	168.55
USA (522)	169.64	−0.2	130.62	134.10	130.32	169.64	−0.2	2.95	169.97	131.73	134.30	131.67	169.97	171.66	160.92	154.34
Europe (791)	154.69	+0.7	119.11	122.28	118.83	119.61	+0.0	4.04	153.59	119.03	121.36	118.96	119.58	156.88	139.31	133.17
Nordic (102)	181.52	+0.9	139.76	143.48	139.43	137.50	+0.3	2.26	179.82	139.36	142.08	139.30	137.15	188.52	169.66	184.30
Pacific Basin (717)	108.71	+0.3	83.70	85.93	83.51	87.28	+0.3	1.41	108.43	84.03	85.68	84.00	87.01	141.97	94.40	129.93
Euro−Pacific (1508)	127.31	+0.5	98.02	100.62	97.79	100.65	+0.2	2.70	126.70	98.19	100.10	98.14	100.48	145.21	113.80	131.54
North America (637)	167.14	−0.2	128.69	132.13	128.41	165.73	−0.2	2.96	167.40	129.74	132.29	129.70	165.99	169.69	158.70	153.40
Europe Ex UK (563)	132.70	+0.7	102.17	104.91	101.95	103.77	−0.1	3.32	131.84	102.18	104.19	102.15	103.83	132.81	121.81	112.11
Pacific Ex. Japan (244)	173.37	−0.3	133.49	137.06	133.18	154.70	−0.1	3.46	173.84	134.72	137.38	134.68	154.88	175.31	149.00	143.56
World Ex US (1702)	129.04	+0.5	99.35	102.00	99.12	103.00	+0.2	2.71	128.39	99.50	101.45	99.46	102.79	146.91	116.45	133.72
World Ex. UK (1996)	137.12	+0.1	105.58	108.40	105.34	121.10	+0.0	2.51	136.92	106.12	108.20	106.08	121.07	150.58	127.21	136.91
World Ex. So. Af. (2163)	141.38	+0.2	108.86	111.77	108.61	123.02	+0.0	2.80	141.09	109.35	111.50	109.31	122.98	153.05	130.04	138.92
World Ex. Japan (1751)	163.95	+0.2	126.24	129.61	125.96	148.09	−0.1	3.37	163.65	126.83	129.32	126.79	148.19	165.40	153.20	146.89
The World Index (2224)	141.75	+0.2	109.15	112.06	108.90	123.49	+0.0	2.80	141.44	109.62	111.76	109.57	123.44	153.70	130.66	139.67